

## Corporate Governance Statement

for the year ended 30 June 2017

as at 31 August 2017

Metgasco Ltd (**Metgasco**, the **Company** or the **Group**) and its Board of Directors are committed to maintaining and promoting good corporate governance practices within the Group for the benefit of stakeholders and the broader community.

Corporate Governance is the framework of rules, relationships, systems and processes within which and by which authority is exercised and controlled in corporations. The Board of Directors of Metgasco is responsible for the corporate governance of the Group and has taken into account its size and activities in the development of the framework.

Metgasco provides its Corporate Governance Statement with reference to the Third Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles**).

### Principle 1: Lay solid foundations for management and oversight

*Recommendation 1.1: A listed entity 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.*

The Board of Directors operates in accordance with its Charter and the Group's Constitution. The Board takes responsibility for the performance of the Group and for developing and implementing corporate governance practices.

The Board has established a Board Charter, which describes the role of the Board and the role of management. The Charter sets out the composition, role and responsibilities of the Board. The minimum number of Directors is three and the maximum is nine. Appointments to the Board are based on merit, skills, expertise and experience.

The Board accepts that it is responsible for:

1. Reviewing and approving Metgasco's Strategic Plans and performance objectives and the underlying assumptions and rationale;
2. Reviewing and approving the risk management monitoring systems and systems of internal control;
3. Reviewing and approving the Group's financial objectives and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
4. Ensuring that the performance of management is regularly assessed and monitored;
5. Setting the Group's values and standards of conduct and ensuring that these are adhered to;
6. Appointing and approving the terms and conditions of the appointment of the Managing Director and reviewing and providing feedback on the performance of the Managing Director and other officers and senior management;
7. Reviewing the performance of the Board, individual Directors and board committees;
8. Endorsing the terms and conditions of senior executives through the Nomination and Remuneration committee;
9. Monitoring compliance with legal and regulatory obligations and ethical standards including reviewing and ratifying codes of conduct and compliance systems;
10. Approving and monitoring the annual budget and business plan, major operating and capital expenditure, capital management and material variations;
11. Authorising expenditure approval limits for the executive officers of the Group and authorising expenditure in excess of these discretionary limits;
12. Approving all mergers, acquisitions and disposals of projects and businesses;
13. Authorising the issue of securities and instruments of the Group; and
14. Ensuring that the Group conducts all its activities in an environmentally responsible and sustainable way by planning and managing all activities to ensure minimum environmental impact;

- a. Determining and implementing policies and procedures to ensure that the ASX is promptly and adequately informed of all matters considered to be material, in accordance with the Group's continuous disclosure obligations; and
- b. Reviewing and recommending to shareholders the appointment, or if appropriate, the termination of the external auditor. Senior management is responsible for managing the Group and operates under direction and delegation from the Board. The day to day management of the Group is delegated to the Managing Director.

The Board has established two committees:

- Audit and Risk Management Committee; and
- Nomination and Remuneration Committee (inactive).

Each Committee has its own charter describing its composition, structure and membership requirements. The committee charters are reviewed on an annual basis. Due to the changes to the Board during calendar year 2016, the Board has suspended the Nomination and Remuneration Committee and any nomination or remuneration matters are dealt with directly by the Board.

The timetables for Board and Committee meetings are agreed annually to ensure that the Board and individual Directors dedicate sufficient and appropriate time to reviewing and overseeing Metgasco's business.

All Directors operate under a letter of appointment and are parties to a Deed of Access and Indemnity with the Group. Directors are appointed by the Board subject to election by shareholders at the next Annual General Meeting with one-third of the board being subject to re-election at each subsequent Annual General Meeting. The Chairman is elected by the Board. The performance of Directors is reviewed on an ongoing basis.

*Recommendation 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.

Prior to appointing a director or recommending a person for election as a director, the Company undertakes appropriate background checks on their qualifications, experience, education, character, bankruptcy history and criminal record.

The following information is provided to security holders about a candidate standing for election or re-election:

- biographical details;
- details of other directorships held by the candidate;
- a statement as to the independence of the candidate;
- details of any adverse information revealed as part of the checks performed about the director;
- details of any interest, position association or relationship that might impact on the ability of the director to be independent;
- the term of office currently served by the director; and
- a statement by the board as to whether it support the election or e-election of the candidate.

*Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

In the case of a non-executive director, the agreement sets out:

- the term of appointment;
- the time commitment envisaged, including any expectations regarding involvement with committee work and any other special duties attaching to the position;
- remuneration, including superannuation entitlements;

- the requirement to disclose directors' interests and any matters which may affect the director's independence;
- the requirement to comply with key corporate policies, including the entity's code of conduct and its trading policy;
- the Company's policy on when directors may seek independent professional advice at the expense of the Company (which generally should be whenever directors, especially non-executive directors, judge such advice necessary for them to discharge their responsibilities directors);
- the circumstances in which the director's office becomes vacant;
- indemnity and insurance arrangements;
- ongoing rights of access to corporate information; and
- ongoing confidentiality obligations.

In the case of an executive director or other senior executives, the agreement sets out the information above (to the extent applicable), as well as:

- a description of their position, duties and responsibilities;
- the person or body to whom they report;
- the circumstances in which their service may be terminated (with or without notice);
- any entitlements on termination; and
- any circumstances in which their remuneration may be clawed back.

*Recommendation 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.*

The company secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board. The company secretary is also responsible for advising the Board, through the chair, on all governance matters, as well as helping to organise and facilitate the induction and professional development of directors, as required.

The decision to appoint or remove a company secretary is approved by the Board.

*Recommendation 1.5: A listed entity should:*

- (a) *have a diversity policy which includes requirements for the Board or a 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; and*
- (b) *disclose that policy or a summary of it.*

The Board has adopted a Diversity Policy which requires that the Company embraces and promotes diversity in the workplace. Metgasco aims to establish a corporate culture which is conducive to the appointment of well qualified persons and which embraces employee diversity which includes: age, gender, ethnicity, physical appearance, values, lifestyle, religion, education and family responsibilities. Metgasco recognises the benefits that diversity brings to maximising corporate goals.

Metgasco's Diversity Policy can be found on its website at <http://www.metgasco.com.au/corporate-governance/policies>.

*Recommendation 1.5 (cont.): A listed entity should:*

- (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 that Act.*

Due to the small size of the Company the company has not been able to apply this recommendation.

The proportion of women represented at these levels in Metgasco as at the date of this report is as follows:

- Women represented on the Board: 0%
- Women represented in Senior Executive Positions: 0%
- Women represented in the Whole Organisation: 50%

*Recommendation 1.6: A listed entity should: (a) have and disclose a process for periodically 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.*

The Board undertakes ongoing self-assessment and review of its performance and of the performance of the chairman and individual directors.

A performance review process was not conducted in the 2017 financial year due to the current circumstances of the Company.

*Recommendation 1.7: A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process..*

All senior executives when appointed, will have formal position descriptions and each year their key performance measures will be established in line with the Group's objectives and their roles and responsibilities.

All newly appointed senior executives will receive formal letters of appointment describing their terms of appointment, duties, rights and responsibilities.

As the Company does not presently have any senior executives, no performance evaluations were undertaken during the 2017 financial year.

## **Principle 2: Structure the Board to add value**

*Recommendation 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;*
- (b) *if it does not have a nomination committee, disclose that fact and the processes it employs 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.*

Due to the changes to the Board in late 2016, there was no need for further additions to the Board and consequently, the Nomination and Remuneration Committee did not meet during the reporting period. When active, the Nomination and Remuneration Committee operated under a Charter which described its role, responsibilities, composition, structure and membership requirements.

The charter for the Nomination Committee is available on the Company's website at <http://www.metgasco.com.au/corporate-governance/charter>.

*Recommendation 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.*

## Skills and experience

Leadership	3
Corporate Governance	3
Strategy	3
Operations	2
Health & Safety	2
Engineering	1
Sector Experience	1
Hydrocarbons	1
Finance & Risk	3
Commercial	3
Finance & capital	3
Acquisitions	3
Risk Management	2
People	2
Human Resources	2
Technology	2
Stakeholder relations	3
Community relations	2
Australia	3
International	2

*Recommendation 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 Box 2.3 of the 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.*

The Board considers that Alexander Lang and Philip Amery are independent and whereas John Patton and Andrew Purcell are not considered independent as they are nominee directors of substantial shareholders of the Company. Mr. Amery was appointed to the Board on 23 December 2015; Mr Lang was appointed to the Board on 8 February 2016; Mr Patton was appointed to the Board on 19 September 2016 and Mr Purcell was appointed to the Board on 26 September 2016.

*Recommendation 2.4: A majority of the board of a listed entity should be independent directors.*

The Board considers that an independent Director is one who:

- is not a member of management;

- is not a substantial shareholder of the Group or associated with a substantial shareholder of the Group;
- within the last three years has not been employed in an executive capacity by the Group or has not been a Director of the Group for such a period that his/her or independence may have been compromised;
- within the last three years has not been a principal of a material professional advisor or a material consultant;
- is not a material supplier or customer of the Group or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Group;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group; and
- is free from any business interest that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Group.

The independence of Directors is assessed regularly. Currently the Board is comprised of four Directors, two of whom are considered to be independent.

*Recommendation 2.5: The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

The Board maintains an independent Chairman, Mr Alexander Lang. As announced on 1 June 2016, the CEO and Managing Director, Mr. Peter Henderson, left the Company and Mr. Lang stepped into the role as Executive Chairman. As at the date of this Statement, he remains in that role as the CEO/MD role is not intended to be replaced imminently.

The roles of the Chairman and Managing Director were exercised by different individuals.

*Recommendation 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.*

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 effectively and, where any gaps are identified, consider what training or development could be undertaken to fill those gaps.

### **Principle 3: Act ethically and responsibly**

*Recommendation 3.1: A listed entity should:*

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

The Board has adopted a Code of Conduct which requires that all Metgasco directors, officers, employees, and contractors must perform their business in accordance with all relevant laws and regulations and in accordance with the Group's policies and procedures.

The Code of Conduct requires that all directors, officers, employees and contractors are expected to avoid "conflicts of interest" with regard to the Group's interests. Directors and officers are required to advise the company secretary of any perceived conflict of interest. Where related party or conflict of interest matters arise, the chairman may require the removal of the relevant director or officer from any decision made in relation to the perceived conflict of interest or related party matter.

The Board is committed to ensuring a safe workplace. All operations are planned and managed to ensure that employees are working under safe conditions. Directors and employees are required to comply with all legislative requirements relating to workplace safety and to establish effective safety management practices. Employees are encouraged to suggest improvements to workplace safety.

A copy of the Company's Code of Conduct is available from the Company's website at <http://www.metgasco.com.au/corporate-governance/policies>.

#### **Principle 4: Safeguard integrity in financial reporting**

*Recommendation 4.1: The board of a listed entity should:*

- (a) *have an audit committee which:*
  - (1) *has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
  - (2) *is chaired by an independent director, who is not the chair of the board, and disclose:*
    - (3) *the charter of the committee;*
    - (4) *the relevant qualifications and experience of the members of the committee; and*
    - (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*
- (b) *if it does not have an audit committee, disclose that fact and the processes 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.*

The Audit and Risk Management Committee met twice during the year to deal with audit and audit review matters and to ensure that the accounting and financial policies and controls, risk management systems and compliance with regulatory and statutory requirements are in place, adequate and effective. Due to the small size of the Board, the Audit and Risk Management Committee is comprised of only one independent Non-executive director.

The relevant qualifications and experience of each member is disclosed in the annual report under the Directors report section.

The Audit and Risk Management Committee operates under a formal charter. The Board appoints independent external auditors under a letter of appointment which includes a scope and plan. Full access to the Group's records, personnel and support are provided. Open communications with the auditors and management are maintained.

The charter for the Audit and Risk Management Committee is available on the Company's website at <http://www.metgasco.com.au/corporate-governance/charter>.

*Recommendation 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*

As at the date of this Statement, there is no person in the role of CEO. Accordingly, the Executive Chairman and CFO will sign a declaration that 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 prior to the board approving the entities financial statements.

*Recommendation 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. The Company's auditor is requested to attend the AGM. Any questions forwarded to the company secretary concerning the audit are forwarded to the auditor for answering at the AGM. The attendees at the AGM are given an opportunity to ask the auditor questions relevant to the audit.*

#### **Principle 5: Make timely and balanced disclosure**

*Recommendation 5.1: A listed entity should:*

- a) *have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) *disclose that policy or a summary of it*

Metgasco communicates with shareholders in accordance with the Corporations Act and the Listing Rules of the ASX. All ASX announcements, media releases and other relevant material are retained on the Metgasco website for a minimum of three years. The Board has adopted a Continuous Disclosure Policy to ensure all investors have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance. The policy outlines procedures to ensure that Directors and senior executives of the Group comply with its continuous disclosure obligations. The Board has delegated the function of continuous disclosure to the Company Secretary and Executive Chairman.

The Company's Continuous Disclosure Policy is available on the Company's website at <http://www.metgasco.com.au/corporate-governance/policies>.

#### **Principle 6: Respect the rights of shareholders**

*Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.*

Metgasco has a "corporate governance" landing page on its website from where all relevant corporate governance information can be accessed. The corporate governance area of our website includes links to:

- the names, photographs and brief biographical information for each of its directors and senior executives when appointed;
- its constitution, its board charter and the charters of each of its board committees;
- the corporate governance policies and other corporate governance materials referred to in these Principles.

Our website includes links to:

- copies of its annual reports and financial statements;
- copies of its announcements to ASX;
- an overview of the entity's current business;
- copies of media releases the entity makes;
- contact details for enquiries from security holders, analysts or the media; and
- contact details for its securities registry.

*Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Metgasco's investor relations program incorporates actively engaging with shareholders at the AGM, meeting with them upon request and responding to any enquiries they may make from time to time.

Metgasco's investor relation policy can be found on our website at <http://www.metgasco.com.au/corporate-governance/policies>.

*Recommendation 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.*

The Board has endorsed a communications strategy which is designed to promote effective communication with shareholders and encourage effective participation at general meetings. The strategy includes the publication of:

- the Annual Report;
- the Half-Yearly Report;
- Quarterly Cash Flow and Activities Reports;
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate;
- the Group's website at [www.metgasco.com.au](http://www.metgasco.com.au) and
- Continuous disclosure of material information.

The Company invites shareholders to join its Subscriber List on its website. The Company sends emails notifying of ASX releases to Subscriber recipients on the release of ASX announcements.

At the Annual General Meeting, the Chairman encourages questions and comments from shareholders and seeks to ensure the Meeting is managed to give shareholders an opportunity to participate. Shareholders can ask questions about or comment on the operations of the Group and the performance of the Board and management. The external auditor is requested to attend the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company's Shareholders Communications Policy is available on the Company's website at [www.metgasco.com.au](http://www.metgasco.com.au).

*Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The Company and its share registry, Registry Direct both give shareholders the option to receive communications from, and send communications to, the Company and Computershare electronically.

### **Principle 7: Recognise and manage risk**

*Recommendation 7.1: The board of a listed entity should:*

- (a) *have a committee or committees to oversee risk, each of 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 risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The Board takes a proactive approach to management of the risks that Metgasco faces. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Group's strategies and activities are aligned with the risks and opportunities identified by the Board. The Risk Management approach is supported by the Risk Management Policy which has been endorsed by the Board.

The Company's Risk Management Policy is available on the Company's website at <http://www.metgasco.com.au/corporate-governance/policies>.

*Recommendation 7.2: The board or a 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 has taken place.*

The Group uses a standard risk management approach to identify, assess, mitigate and report against identified risks. During the period, management has provided reports to the Board to aid in the discussion and management of key risk issues.

Due to the size and circumstances of the Company, a review of the risk management framework was not undertaken during the financial year.

*Recommendation 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.*

Metgasco does not have an internal audit function.

The external auditor reports findings on relevant risk and control issues to the Board after the half year review and the annual audit.

*Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks<sup>39</sup> and, if it does, how it manages or intends to manage those risks.*

The Company's material business risks are addressed in the annual report.

The Company has an environmental, health and safety management system to mitigate the risks of incidents, if at some time in the future, the Company undertakes exploration activities.

The Company has a community consultation plan to address social sustainability risks, if at some time in the future, the Company undertakes exploration activities.

### **Principle 8: Remunerate fairly and responsibly**

*Recommendation 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 processes 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.*

The Board has adopted a formal charter for the Nomination and Remuneration committee which describes its role, responsibilities, composition, structure and membership. As noted above, due to the changes to the Board during calendar year 2016, the Board has suspended the Nomination and Remuneration Committee and any nomination or remuneration matters are dealt with directly by the Board.

*Recommendation 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 other senior executives.*

The structure of Non-Executive Directors and senior executive's remuneration is described in the Remuneration Report of the Annual Report.

*Recommendation 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.*

All prior participants in the Metgasco equity based remuneration scheme were prohibited from entering into an arrangement that would limit their exposure to price movements in unvested securities or securities still in holding lock that were issued under the Companies equity remuneration plan.

Metgasco's share trading policy can be found on its website at <http://www.metgasco.com.au/corporate-governance/policies>.