

# GIPPSLAND OFFSHORE PETROLEUM LIMITED AND CONTROLLED ENTITIES

## CORPORATE GOVERNANCE STATEMENT

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The Board of Directors of Gippsland Offshore Petroleum Limited has the ultimate responsibility to its shareholders for the strategy and performance of the entity.

The Board seeks, where appropriate, to adopt without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations to the extent appropriate for the size and the nature of the company's business as described below.

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

The primary responsibility of the Board is to protect and advance the interest of shareholders. To fulfil this role, the Board has overall responsibility for the entity's overall business and for the corporate governance of the Company. This responsibility includes determination of strategic direction, setting of management goals and monitoring management performance against the set goals.

The Board has delegated responsibility for operation and administration of the Company to the Chief Operating Officer and executive management to manage the company in accordance with the direction of the Board.

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

The Board consists of three independent non-executive directors including the chairperson and one executive director. Details of the qualifications and experience of each Director is set out in the Director's Report section of the annual accounts. The composition of the Board is balanced with each Director bringing complementary and appropriate blend of skills and experience. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of separate board committees, such as audit, remuneration and nomination committees. Accordingly, all matters that may be capable of delegation to committees are dealt with by the full Board.

### **Principle 3: Promote ethical and responsible decision-making**

It is the policy of the Company for directors, officers and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealing with suppliers, business partners, public servants and the general communities within which it operates.

The Company is dedicated to delivering outstanding performances for investors, customers, consumers and employees. The Company aspires to be the leader in its field while operating openly, with honesty, integrity and responsibility and maintaining a strong sense of corporate social responsibility. In maintaining its corporate social responsibility the Company will conduct business ethically and according to its values, encourage community initiatives, give due consideration to the environment and ensure a safe, equal and supportive workplace.

### **Share Trading Policy**

Directors and employees must not trade in the Company's shares in the periods immediately prior to the announcement of half-yearly or annual results, publications of quarterly reports, progressive drilling reports or at other times whilst in possession of unpublished price sensitive information. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

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

It is an established requirement that the appointed chief executive officer (or equivalent) and chief financial officer (or equivalent) provide a written statement to the Board that acknowledges that to the best of their knowledge the Company's financial reports presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

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

The Board is responsible for monitoring compliance with ASX Listing Rule disclosure requirements and approval of any proposed ASX announcement prior to release. The Board has appointed the Company Secretary as the designated person responsible for liaising with the ASX.

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

It is the policy of the Company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The Company extensively utilises its website to complement the official release of material information to the market.

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

The Board is responsible for overseeing of the Group's risk management and control framework. Management are required to ensure that assessed risks are managed with appropriate systems and controls. Effectiveness of risk management systems and controls are reviewed periodically by the Board. The Company's adopted policy framework seeks to identify and mitigate Company risks as much as practicable. Major assessed risks facing the Company centre on exploration and development, contractual and litigation and risks associated with exploration titles. The Chief Operating Officer and the Chief Financial Officer have ultimate responsibility to the Board for the risk management and control framework. The Board is supplied with assurances annually from the chief executive officer (or equivalent) and chief financial officer in reference to compliance with recommendations 7.2 and 7.3.

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

The Board, within the pre-approved shareholder guidelines, determines fees payable to individual non-executive Directors. The remuneration levels of any executive Director will be determined by the Chairman after taking into consideration those that apply to similar positions in comparable companies in Australia and Directors' possible participation in any equity-based remuneration scheme. The Chairman may use industry-wide data gathered by independent remuneration experts annually as his point of reference. Options or shares issued to Directors pursuant to any equity-based remuneration scheme require approval by shareholders prior to their issue. Option or share issues to senior executives who are not Directors will be issued by resolution of the Board.

Details of Director and Executive remuneration are set out in the Directors Report and Notes to the Financial Statements.

#### **Compliance with the Australian Stock Exchange Corporate Governance best practice recommendations**

The ASX listing rules require listed entities to include in their annual report a statement disclosing the extent to which the entity has followed the ASX Corporate Governance Guidelines best practice recommendations during the reporting period, identifying the recommendations that have not been followed and provide reasons for any variance. If a recommendation has been followed for only part of the year the entity must state the period during which it has been followed.

During the reporting period, the Company has complied with each of ASX Corporate Governance best practice recommendations, other than in relation to the matters below:

**Notification of Departure**

**Recommendation 2.4 The Board should establish a nomination committee**

**Recommendation 4.1 The Board should establish an audit committee**

**Recommendation 8.1 The Board should establish a remuneration committee**

**Explanation of Departure**

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of separate board committee such as audit, remuneration and nomination committees. Accordingly, all matters that may be capable of delegation to such committees are dealt with by the full Board.

**Recommendation 8.2 Guidelines for non-executive director remuneration**

**Explanation of Departure**

Non-executive Directors were issued with options in the period prior to the Company's public listing. Since listing on the ASX no options have been issued to Non-executive Directors.