

## **CORPORATE GOVERNANCE STATEMENT FOR THE PERIOD ENDED 30 JUNE 2018**

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The Board of Directors of UIL Energy Limited ("the Company" or "Group") is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of UIL Energy Ltd on behalf of the shareholders, by whom they are elected and to whom they are accountable.

UIL Energy Ltd's Corporate Governance Statement has been adopted and structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "CGC") "Corporate Governance Principles and Recommendations, 3rd Edition", which was released on 27<sup>th</sup> March 2014.

The Company's practices are largely consistent with the CGC recommendations, and the Board has made appropriate statements reporting on the adoption of the recommendations. Where the Company's corporate governance practices do not correlate with the practices recommended by the CGC, the Company is working towards compliance; however it does not consider that all practices are currently appropriate for the Company due to the size and scale of its operations. The Board has offered full disclosure and reasons for the adoption of Company practices, in compliance with the "if not, why not" regime, and these are summarised in Appendix 4G and this Corporate Governance Statement.

The Board is of the view that with the exception of the departures from the ASX Guidelines noted below it otherwise complies with all of the ASX Guidelines.

The information in this statement is current as at 20 September 2018 and has been approved by the Board.

### **Principle and Recommendations**

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

##### ***Recommendation 1.1: Role of Board and management.***

The Board of Directors is pivotal in the relationship between shareholders and management and the role and responsibilities of the Board underpin corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs. Generally, the powers and obligations of the Board are governed by the Corporations Act and the general law.

Without limiting those matters, the Board expressly considers itself responsible for the following:

- ensuring compliance with the Corporations Act, ASX Listing Rules (where appropriate) and all other relevant laws;
- providing leadership and developing, implementing and monitoring strategic operational and financial objectives for the Company and the overall performance of the Company;
- appointing appropriate staff, consultants and experts to assist in the Company's operations;
- ensuring appropriate financial and risk management controls are implemented;
- setting, monitoring and ensuring appropriate accountability and a framework for remuneration of Directors and executive officers;
- establishing and overseeing the Company's process for making timely and balanced disclosure of all material information in accordance with the ASX Listing Rules;
- implementing appropriate strategies to monitor performance of the Board in implementing its functions and powers;

- implementing and overseeing the Company's risk management framework to enable risk to be identified, assessed and managed and to set the risk appetite the Board expects Management to operate within;
- appointing the Chairperson;
- appointing and removing the Chief Executive Officer and Company Secretary;
- approving the appointment and, where appropriate, removal of members of Management;
- contributing to and approving Management's development of corporate strategy and performance objectives;
- monitoring Management's implementation of strategy and performance generally, and ensuring appropriate resources are available to Management;
- monitoring the effectiveness of the Company's governance practices;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving the annual budget;
- liaising with the Company's external auditors;
- approving and monitoring financial and other reporting systems of the Company (including external audit) and the integrity of these systems; and
- appointing and overseeing Committees where appropriate to assist in the above functions and powers.

The Board has delegated to the Managing Director day to day responsibility for running the affairs of the Company and to implement the policies and strategy set by the Board. The Board also delegates to senior management the responsibilities for the day-to-day activities leading toward achievement of the Company's strategic direction within agreed boundaries and authority limitations.

***Recommendation 1.2: Information regarding election and re-election of Director Candidates.***

The policy and procedures for the selection and appointment of new Directors is that candidates are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, and credibility within the Company's scope of activities. Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting.

The Company has appropriate procedures in place to ensure that material information relevant to a decision to elect or re-elect a Director (including whether Directors support the election or re-election) is disclosed in the notice of meeting provided to shareholders.

At each Annual General Meeting the following Directors automatically retire and are eligible for re-appointment:

- any Director who has been elected in the office for a period in excess of three consecutive years or until the third annual general meeting following her/his appointment, whichever is longer, without submitting him/herself for re-election;
- any Director who was appointed by the Directors during the year to fill a casual vacancy or as an addition to the existing Directors;
- one-third of the Directors or, if their number is not a multiple of three, then the greatest of one or the number nearest to but not exceeding one-third.

***Recommendation 1.3: Written contracts of Directors and Senior Executive appointment.***

New Directors receive the letter of their appointment and a deed of indemnity, insurance and access. Non-executive Directors are not appointed for fixed terms. Executive Directors have written agreements, which set out the material terms of engagement, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements.

Each senior executive enters into an agreement which sets out the material terms of engagement, including a description of position and duties, reporting lines, remuneration arrangements and termination rights and entitlements. Contract details of senior executives, which are key management personnel, are summarised in the Remuneration Report within the Annual Report, which can be accessed on the Company's website at [www.uilenergy.com.au](http://www.uilenergy.com.au)

***Recommendation 1.4: Company Secretary.***

The Company Secretary is accountable directly to the Board (through the Chairman) for facilitating the Company's corporate governance processes and the proper functioning of the Board. Each Director is entitled to access the advice and services of the Company Secretary.

In accordance with the Company's Constitution, the appointment and removal of the Company Secretary is a matter for the Board as a whole. A copy of the Constitution is available on the Company website under Corporate Governance and the details of the Company Secretary are set out in the Directors' Report contained within the Annual Report.

***Recommendation 1.5: Diversity.***

The Board has not adopted a formal Diversity Policy at this stage. The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit. The Company respects and values the competitive advantage of diversity (which includes but is not limited to gender, age, disability, ethnicity, marital or family status religious or cultural background), and the benefit of its integration throughout the Company in order to improve corporate performance, increase shareholder value and maximise the probability of achievement of the Company's goals. However, the Board of Directors does not believe that the Company is currently of a sufficient size to justify the establishment of formal and measureable objectives, having regard to the nature and scale of its activities.

***Recommendation 1.6: Board reviews.***

The Board did not conduct a performance evaluation during the last 12 months and has not adopted a performance evaluation policy.

The Company believes that the small size of the Board and the current scale of the Company's activities makes the establishment of a formal performance evaluation procedure unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. In the normal course of events the Board reviews performance of the management, Directors and the Board as a whole. Achievement of goals and business development and compliance issues are evaluated regularly on an informal basis.

The Board is provided with the information it needs to discharge its responsibilities effectively. All Directors have access to corporate governance policies and material contracts entered into by the Company. The Directors also have access to the Company Secretary for all Board and governance-related issues.

***Recommendation 1.7: Management reviews.***

The Board did not conduct a performance evaluation of senior executives during the last 12 months and has not adopted a performance evaluation policy.

The Company believes that the small size of the executive team and the current scale of the Company's activities makes the establishment of a formal performance evaluation procedure unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board. In the normal course of events the Board reviews performance of the management, Directors and the Board as a whole. Achievement of goals and business development and compliance issues are evaluated regularly on an informal basis.

**Principle 2 – Structure the board to add value**

***Recommendation 2.1: Nomination committee.***

The Board has not formally established a Nominations Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board considers that it is able to deal efficiently and effectively with Board composition and succession issues without establishing a separate Nomination Committee and in doing so, the Board will be guided by the Charter which is set out in the Company’s Corporate Governance Charter and can be accessed on the Company’s website under Corporate Governance. The Company will review this position annually and determine whether a Nominations Committee needs to be established. The Company will also provide details in its Corporate Governance Statement, the Annual Report or the Company’s website of the processes it employs in relation to addressing 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.

***Recommendation 2.2: Board skills matrix.***

Details of the current Directors, their skills, experience, qualifications and record of attendance at meetings are included in the Directors’ Report. A Board Skills Matrix has been developed and is adopted and reviewed annually by the Board. The Directors believe the skill base of the current Directors is appropriate for the Company given its size and stage of development.

***Recommendation 2.3: Disclose independence and length of service.***

The Company’s Board is comprised of Messrs Simon Hickey, John de Stefani, Stephen Bizzell, Keith Skipper and Garry Marsden.

Presently under the ASX Guidelines it is considered that there are two independent Directors, being Messrs Keith Skipper and Garry Marsden. The table below details the reasons why the remaining Directors are not considered to be independent:

Name	Position	Reason for non-compliance
Simon Hickey	Executive Chairman	Mr Hickey is a substantial shareholder of the Company and provides consultancy services to the Company in an executive capacity.
John de Stefani	Managing Director	Mr de Stefani is a substantial shareholder of the Company and is employed by the Company in an executive capacity.
Stephen Bizzell	Non-Executive Director	Mr Bizzell is a substantial shareholder of the Company and an entity he controls has provided corporate advisory and capital raising services to the Company.

The length of service of each Director can be found at the Directors’ Report within the Annual Report.

***Recommendation 2.4: Majority of Directors to be independent.***

On the basis of the above information detailed in recommendation 2.3, the Company is of the view that the Board does not consist of a majority of independent Directors. The Board will consider appointing further independent Directors in the future, when the Company is of sufficient size and having regard to the scale and nature of its activities. In the meantime, the Company believes that given the size and scale of its operations, non-compliance by the Company with this recommendation will not be detrimental to the Company or its shareholders.

***Recommendation 2.5: Chair should be independent.***

The Executive Chairman, Mr Simon Hickey, is not considered to be independent under the ASX Guidelines. Mr Hickey is not the CEO of the Company.

The Company is of the view that the size and scale of its current operations do not warrant the appointment of an independent Chairperson and that non-compliance with this recommendation will not be detrimental to the Company or its shareholders.

***Recommendation 2.6: Induction and personal development.***

Upon appointment Directors have the benefit of an induction program aimed at deepening their understanding of the Company, its activities and the business, environment and markets in which the Company operates.

As part of the induction process, where appropriate, new Directors may complete a self-assessment of their capabilities and competencies to determine areas where further development will be beneficial in contributing to the Board's performance. Development in these areas will then be considered and discussed with the new Director by the Chairperson.

Directors are also expected to keep themselves abreast of changes and trends in the business and in the Company's environment and markets and to keep abreast of changes and trends in the economic, political, social and legal climate generally. Directors are expected to have an appropriate base level of understanding on accounting matters. Additional development and training in this area can be discussed with the Chairperson by a Director. The Company will also provide briefings on developments in accounting standards.

**Principle 3 – Act ethically and responsibly**

***Recommendation 3.1: Code of conduct.***

The Company has established a Corporate Code of Conduct and Corporate Ethics Policy for the Board, management and employees of the Company. The Codes require that Directors, management and employees maintain high standards of integrity by ensuring that all business activities are conducted legally and ethically in compliance with the letter and spirit of both the law and Company policies. The Code of Conduct and Ethics Policy is set out in the Company's Corporate Governance Charter and can be accessed on the Company's website under Corporate Governance.

**Principle 4 – Safeguard integrity in corporate reporting**

***Recommendation 4.1: Audit committee.***

The Board has established an Audit and Risk Management Committee. The Committee is:

- Mr Keith Skipper – Non-Executive Independent Director (Chairman of the Committee)
- Mr Garry Marsden – Non-Executive Independent Director
- Mr Stephen Bizzell – Non-Executive Director

The committee is chaired by an independent Director - Mr Keith Skipper and he is not the chair of the Board. The committee currently appointed by the Board comprises two independent Non-Executive Directors and a non-Executive Director.

The experience and qualifications of members of the Audit and Risk Management Committee are detailed in the Remuneration Report which forms part of the Directors' Report within the Annual Report. The Audit and Risk

Management Committee held two meetings during the 2018 financial year. Details of Committee members' attendance at those meetings can also be accessed in the Directors' Report within the Annual Report.

The Company has adopted an Audit and Risk Management Committee Charter setting out the Committee as well as reporting requirements. The Charter will be reviewed annually to determine whether any changes are necessary. A copy of the Charter is included in the Corporate Governance Charter and can be accessed on the Company's website under Corporate Governance.

The Audit and Risk Management Committee is responsible for:

Audit related:

- reviewing and making recommendations to the Board in relation to whether the Company's financial statements reflect the understanding of the members of the Committee, and otherwise provide a true and fair view of the financial position and performance of the Company;
- reviewing and making recommendations to the Board in relation to the appropriateness of the accounting judgments or choices exercised by Management in preparing the Company's financial statements;
- ensuring that the quality of financial controls is appropriate for the business of the Company;
- reviewing the scope, results and adequacy of external and internal audits;
- requiring the external auditors to report to the Committee;
- monitoring corporate conduct and business ethics and ongoing compliance with laws and regulations;
- maintaining open lines of communication between the Board, Management and the external auditors, thus enabling information and points of view to be freely exchanged;
- reviewing matters of significance affecting the financial welfare of the Company;
- ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate and making recommendations in this regard;
- reviewing the Company's internal financial control system;
- considering and making recommendations regarding the appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the external auditor's independence, objectivity and effectiveness, taking into consideration relevant professional and regulatory requirements and the performance of the external auditor; and
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provisions of non-audit services by the external audit firm and making recommendations on any proposal by the external auditor to provide non-audit services;

BDO Audit Pty Ltd ("BDO") was appointed as the Company's external auditor by shareholders at a General Meeting held on 27 November 2012. BDO has advised the Company that their policy of audit partner rotation requires a change in the lead engagement partner and review partner after a period of five years. The previous financial year represented the 5 year anniversary of BDO's appointment and as such Mr Tim Kendall was appointed the new lead engagement partner.

***Recommendation 4.2: Managing Director and CFO certification of financial statements.***

Prior to the approval of the Group's financial statements each year, the Managing Director and the Chief Financial Officer confirm in writing to the Board that the financial reports of the Company for the financial year:

- present 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;
- the statement given in accordance with section 295A of the Corporations Act is founded on a sound system

of risk management and internal compliance and control which implements the policies adopted by the Board; and

- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

***Recommendation 4.3: External auditor at AGM.***

The Company's external audit function is performed by BDO. Representatives of BDO attend the Annual General Meeting and are available to answer shareholder questions regarding the audit or the individual statements.

**Principle 5 – Make timely and balanced disclosure**

***Recommendation 5.1: Disclosure and Communications Policy.***

The Company has adopted a Continuous Disclosure Policy within its Corporate Governance Charter to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*. The policy sets out the rules and procedures for ASX information disclosure, the responsibility of the Board, Senior Executives and staff to ensure that price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely, clear and objective manner and that all information provided to the ASX is posted on the Company's website as soon as possible after its disclosure to ASX.

The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with, and coordinating disclosure of information to the ASX.

Directors receive copies of all announcements released to the ASX and copies of announcements, including related information, such as financial statements and public presentations, and are aware of and accountable for the Company's compliance with regard to continuous disclosure.

**Principle 6 – Respect the rights of security holders**

***Recommendation 6.1: Information on website.***

Information about the Company and its operations is located at: [www.uilenergy.com.au](http://www.uilenergy.com.au)

Information about the Company's corporate governance policies can be found on the Company's website [www.uilenergy.com.au](http://www.uilenergy.com.au) under Corporate Governance.

***Recommendation 6.2: Investor relations programs.***

The Company is committed to informing shareholders of all major developments affecting the operations of the Company and the state of its affairs, Communications with shareholders include:

- The annual report which is distributed, or otherwise made available, to all shareholders;
- The quarterly activities report;
- The half-year financial report;
- The Annual General Meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate;
- Company announcements; and

- All of the information available on the Company's website [www.uilenergy.com.au](http://www.uilenergy.com.au)

The Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive and not in the public domain. All announcements made by the Company to the ASX (except disclosures of a routine compliance or administrative nature) are posted to the Company's website.

***Recommendation 6.3: Facilitate participation at meetings of security holders.***

The Company encourages shareholder participation at its AGM's including by making notices of meetings available on its website. UIL Energy's external auditor attends the Company's AGMs and is available to answer any questions which shareholders may have about the conduct of the external audit for the relevant financial year and the preparation and content of the audit report.

Shareholders who are unable to attend meetings of the Company are encouraged to participate in meetings by way of appointment of a proxy.

***Recommendation 6.4: Facilitate electronic communications.***

The Company has the capability to communicate with shareholders electronically through its website and email communications. Electronic contact details are provided on the Company's website.

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

***Recommendation 7.1: Risk committee.***

The Company has established a combined Audit and Risk Management Committee. The details of the members of the Committee are consistent with those detailed in Recommendation 4.1.

The Company has adopted an Audit and Risk Management Committee Charter setting out the Committee as well as reporting requirements. The Charter will be reviewed annually to determine whether any changes are necessary. A copy of the Charter is included in the Corporate Governance Charter and can be accessed on the Company's website under Corporate Governance.

The Audit and Risk Management Committee is responsible for:

**Risk related:**

- reviewing and making recommendations to the Board in relation to the adequacy of the Company's processes for managing risks, including:
  - (a) in relation to any incident involving fraud or other break down of the Company's internal controls;
  - (b) in relation to the Company's insurance program, having regard to the Company's business and the insurable risks associated with the business;
- ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Company's operations, practices and systems and overseeing this framework;
- defining and periodically reviewing risk management as it applies to the Company and clearly identifying all stakeholders;
- ensuring the Committee clearly communicates the Company's risk management philosophy, policies and strategies to Directors, Management, employees, contractors and appropriate stakeholders;

- ensuring that the Board and Management establish a risk aware culture which reflects the Company's risk policies and philosophies;
- reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- making informed decisions regarding business risk management, internal control systems, business policies and practices and disclosures; and
- considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities.

***Recommendation 7.2: Annual risk review.***

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management, inter alia, by benchmarking the Company's performance against industry standards.

The risk profile of the Company contains both financial and non-financial factors including operational, field and geological risks, and a range of financial and corporate risks.

To mitigate these risks, the Company has in place an experienced Board, regular Board meetings, an Audit and Risk Management Committee which aims to meet at least bi-annually, six monthly financial audits, rigorous appraisal of new investments, and advisers familiar with the Company. The Company's risk management framework has been reviewed on a regular basis throughout the reporting period by the Board.

***Recommendation 7.3: Internal audit.***

The Company does not have a formal internal audit function due to its current size. The Audit and Risk Management Committee monitors the need for an internal audit function. The Company's management periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement, these systems are developed.

The Company's external auditors are consulted for advice by the Audit and Risk Management Committee.

At this stage the Company's operational and financial functions are not complex, and all expenditure authorizations include the Managing Director and the CFO or Company Secretary. All supplies are known to the Company, and any irregular and unrecognized expenses are routinely queried and discussed with one of the three personnel noted above.

***Recommendation 7.4: Sustainability risks.***

The Company, as an exploration company, faces inherent risks in its activities, including economic, environmental and social sustainability risks which may have a material impact on the Company's ability to create value for its shareholders.

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's shares. However, the Directors recognise that petroleum exploration and evaluation is inherently risky.

Material business risks are considered in the preparation of the Review of Operations in the Annual Report. In relation to environmental risks, the Company closely monitors its exposure to all such risks at the current projects located within Australia, and seeks the input of specialist environmental consultants as required.

## Principle 8 – Remunerate fairly and responsibly

### *Recommendation 8.1: Remuneration committee.*

The Board has not formally established a Remuneration Committee as the Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of this Committee. The Board considers that it is able to deal efficiently and effectively with remuneration issues and will initially comprise the Remuneration Committee. In doing so, the Board will be guided by the Charter which is set out in the Company's Corporate Governance Charter and can be accessed on the Company's website under Corporate Governance. The Company will review this position annually and determine whether a Remuneration Committee needs to be established. The Company will also provide details in its Corporate Governance Statement, the Annual Report or the Company's website of the processes it employs in relation to setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

### *Recommendation 8.2: Disclosure of Executive and Non-Executive Director Remuneration policy.*

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Disclosure of the remuneration details for Directors and Executives occurs each year in the Remuneration Report segment of the Company's Annual Report. Details of the Managing Director's remuneration arrangements are published on the ASX at the time of establishment and at the time of any material change thereafter.

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be paid as to a fixed amount for each Director. Additionally, Non-Executive Directors are entitled to be reimbursed for properly incurred expenses. All Directors have the opportunity to qualify for participation in the Company's share option plan, subject to the approval of shareholders.

The remuneration of the Executives may from time to time be fixed by the Board, which will comprise a fixed remuneration component and also may include offering specific short and long -term incentives in the form of performance based salary increases and/or bonuses; and/or the issue of options and performance rights.

Details of the Company's remuneration arrangements for Non-Executive Directors, Executive Directors and senior Executives including fee rates, are set out in the Remuneration Report in the Annual Report.

### *Recommendation 8.3: Equity based remuneration scheme.*

The Company's Share Trading Policy specifically prohibits Directors and senior Executives from engaging in short-term trading in the Company's securities. The Policy also stipulates that participants may not enter into transactions which limit the economic risk of participating in the Performance Rights Plan. The Share Trading Policy is included in the Corporate Governance Charter and can be accessed on the Company's website under Corporate Governance.