



warrego
energy

Warrego Energy Limited
ACN 125 394 667

WARREGO ENERGY LIMITED

CORPORATE GOVERNANCE POLICY

The Board of directors acknowledges the Principles of Good Corporate Governance and Best Practice Recommendations set by the Australian Stock Exchange (“ASX”) Corporate Governance Council. However, in view of the Warrego’s current size and extent of nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with growth and development of the Company in the years ahead. Fundamental to this commitment is transparent reporting of compliance with current guidelines. Therefore, in accordance with ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations with 2014 Amendments (3rd Edition)” the Company reports as follows:

Principle 1 – Lay solid foundations for management and oversight - Comply

Recommendation 1.1:

A Listed entity should disclose;

- (a) the respective roles and responsibilities of the board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

The Board is accountable to the shareholders for the performance of the Company and has overall responsibility for its operations. Day to day management of the Company’s affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board to the Managing Director.

The key responsibilities of the Board include:

- developing, approving and monitoring implementation of corporate policy, strategy and performance objectives;
- developing and monitoring adoption of the most appropriate principles of corporate governance;
- reviewing and ratifying systems of risk management and internal control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure projects, funding programmes, acquisitions and divestments;
- reviewing and approving annual business plans, operating and capital budgets;
- reviewing and ratifying systems for health, safety, environment management and controls;
- appointing and evaluating the performance of senior executives; and
- selecting and appointing new directors to the Board, and evaluating the performance of all members of the Board.

In performing these responsibilities the Board acts in a manner designed to create and build sustainable value for all shareholders in accordance with the duties and obligations imposed upon them by the Company’s Constitution and by law.

For the purposes of the proper performance of their duties, the directors are entitled to seek independent professional advice at the Company’s expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required and regularly reviews the division of responsibility between the Board and management. To view the Company’s Corporate Governance Policy - Board Charter please visit the Warrego Energy website at www.warregoenergy.com.

The Company's Managing Director and key executives are responsible for implementing the strategic objectives with appropriate reference to the risk framework as set by the Board and all aspects of the day-to-day operation of the Company.

Recommendation 1.2 - Comply:

A Listed entity;

- (a) should 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.*

The Company has an agreed process for the selection, nomination and appointment of directors guided by the Board. An integral part of this process requires that the Board ascertain the qualifications and experience that a potential candidate should possess prior to shortlisting candidates. Appropriate background checks are carried out on any potential candidates before a person is appointed by the Board or put forward as a candidate for election as a director.

Before each Annual General Meeting, the Board internally determines the suitability of candidates for re-election as directors. Factors influencing this decision include the outcome of any Board performance reviews and any other relevant matters. Sufficient background information including biographical detail, other directorships and status as independent or otherwise, is then provided in the Notice of Meeting for shareholders to inform them appropriately of potential candidates.

Recommendation 1.3 - Comply:

A Listed entity should have a written agreement with each director and senior executives setting out the terms of their appointment.

The Company has written agreements in place with all directors (which includes a signed consent to act) and key executives. Such agreements stipulate, amongst other items, in the case of non-executive directors the time commitment envisaged, remuneration and term of appointment and confidentiality obligations. In the case of key executives additional items include the reporting structure applicable to the executive and their duties and responsibilities in the role as well as termination provisions and benefits.

Recommendation 1.4 - Comply:

The Company Secretary of the Company 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 reports directly to the Board through the Chairman on Board matters and all directors have access to the Company Secretary. The Company Secretary's responsibilities include advising the Board on governance matters, monitoring board and committee policy and procedures, ensuring conduct at Board meetings is accurately reflected in minutes and that appropriate induction of new directors is facilitated. The Company Secretary also performs a management function and on these operational matters reports directly to the Managing Director.

Recommendation 1.5 – Does not Comply for period:

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;*
- (b) disclose that policy or a summary of it; and*
- (c) disclose at the end of each reporting period 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:
 - a. the respective proportions of men and women on the board, in senior executive positions and across the whole organization (including how the entity has defined "senior executive3" for these purposes);*
 - or*
 - b. 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.**

At its current stage of development the Company does not have a diversity policy as the company has only 2 direct employees other than Board. Administrative and technical services are provided by consultants. As the Company has not yet adopted a diversity policy and has not as yet set any measurable objectives for achieving gender diversity it does not comply with this recommendation. As the Company expands the Board will establish a formal diversity policy and set measurable objectives to assist in achieving gender diversity in the Company's workforce

Recommendation 1.6 – Does not Comply for period:

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 accordance with that process.*

No review was conducted during the reporting period due to substantial changes to the Board and new appointments. It is the Company's intention to conduct these annually as the Company grows and greater resources become available.

Recommendation 1.7 Comply:

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 the process.*

Recognising that the performance of key executives and management is integrally linked to the performance of the Company, a performance evaluation of key executives is conducted annually in accordance with the processes outlined in the Remuneration Report. Performance of key management is reviewed annually by the Board and Managing Director and has been conducted for the reporting period.

Principle 2 – Structure the Board to add value

A Listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1 – partially complies:

The Board of a Listed entity should;

- (a) have a nomination committee which:
 - a. has at least three members, a majority of whom are independent, and*
 - b. is chaired by an independent director; and disclose:*
 - c. the charter of the committee.*
 - d. the members of the committee; and*
 - e. 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 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.*

A combined remuneration and nomination committee was established with two members one of whom was an independent non-executive director. From 29 July 2014 remuneration and nomination committee has operated with two members both of whom are independent non-executive directors. The members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report. The charter of the committee is available [here](#).

Recommendation 2.2 - Comply:

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.

While recognising that each director will not necessarily have experience in each of the following areas, the Board believes that a highly credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Company and value for the Company's shareholders.

The mix of skills comprised in the current Board, and that the Board would look to maintain and to build on includes:

- oil and gas industry expertise
- evaluation of all aspects of conventional and unconventional oil and gas exploration
- ability to think strategically
- leadership
- high level of business acumen
- corporate finance including experience with mergers and acquisitions
- geographic experience, especially Latin America and North America
- corporate governance
- risk management
- investor relations and communications

Recommendation 2.3 - Comply:

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 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;*
- (c) the length of service of each director.*

The following directors are considered by the Company to be independent director because they are free of any interest, position, association or relationship that might be perceived to influence in a material way his capacity to bring independent judgement to bear on issues before the Board:

- Mark Routh Non-executive Director
- David Biggs Non-executive Director
- Greg Columbus Non-executive Chairman

Recommendation 2.4 - comply:

A majority of the Board of a Listed entity should be independent directors.

At the time of reporting there are four directors on the Company Board. Three of the four directors are considered to be independent with regards to the criteria established in the ASX Corporate Governance Councils Principles and Recommendations.

Recommendation 2.5 - comply:

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 Chairman of the Company is an independent director and performs no executive responsibilities. The roles of the Company Chairman and Managing Director are not exercised by the same individual.

Recommendation 2.6 - comply:

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 letter of appointment provided to new directors when appointed covers sufficient information as regards the Company's internal policies and operations as well as general requirements of directors, for them to adequately perform their duties as directors.

All directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and, if this involves industry seminars and approved education courses, where appropriate, this is paid for by the Company.

Principle 3 - Promote ethical and responsible decision making

Recommendation 3.1- Comply:

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 Company's policy requires that the directors and management conduct themselves with the highest ethical standards. All directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has Code of Conduct for directors and employees which outlines the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibilities of individuals for reporting and investigating reports of unethical practices. The code of conduct is available [here](#).

Principle 4 - Safeguard integrity in corporate reporting

Recommendation 4.1 – partially compliant for the period:

The Board of a Listed entity should:

- (a) have an audit committee which;*
 - a. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 - b. is chaired by an independent director who is not the Chair of the board and disclose:*
 - c. the charter of the committee;*
 - d. the relevant qualifications and experience of the members of the committee; and*
 - e. 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 that processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Company has an established Audit Committee and at the time of reporting the committee consists of two members from the Board, an independent non-executive director as chair and an independent non-executive director and the Company Secretary. The chair of the committee is also the chair of the Board. This is due to the alternative director not having direct experience with Australian accounting or corporate laws.

The audit committee charter is available here and that sets out its role and responsibilities, composition, structure and membership requirements. The relevant qualifications and experience of the members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report.

Recommendation 4.2 - Comply:

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.

The CEO and CFO have stated in writing to the Board that the Company's financial reports for the year ended 30 June 2018 present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement was the confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

Recommendation 4.3 - Comply:

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 external auditor attends every AGM and is available to answer questions relevant to the audit.

Principle 5 - Make timely and balanced disclosure

Recommendation 5.1 - Comply:

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.*

The Company has an established continuous disclosure policy designed to ensure that all investors have equal and timely access to material information relating to the Company. The policy articulates the type of information that needs disclosure, the process of internal notification, the roles and responsibilities in the disclosure process, the process of promoting an understanding of disclosure requirements and external communication protocols. This policy is available [here](#).

Principle 6 - Respect the rights of security holders

Recommendation 6.1 - Comply:

A Listed entity should provide information about itself and its governance to investors via its website.

The Company has a detailed website which is maintained regularly to ensure accuracy of information. Investors and stakeholders can access all ASX announcements, presentations, annual financial statements and corporate governance information on this website. Company announcements available on the website are presented in a clear and balanced way containing both positive and negative information. The Company's senior management regularly participate in investor roadshows and conferences and those presentations are uploaded to the website.

Recommendation 6.2 - Comply:

A Listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has an established communications policy that articulates how the Company will communicate with stakeholders to enhance their understanding of the Company, its business, policies, financial performance and progress. The Company website provides the opportunity for interested parties to join the mailing list to receive regular updates. The communications policy can be accessed here.

Recommendation 6.3 - Comply:

A Listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company recognizes the importance of shareholder meetings as a forum for communication and has an established communications policy that articulates how the Company will communicate with its shareholders including attendance at shareholder meetings. The communications policy is available here.

Recommendation 6.4 - Comply:

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 utilizes the services of Boardroom Pty Limited as its security registry and provides a link to their website from the Company's website so that security holders can obtain forms and select their method of interaction with the registry via its online portal.

Principle 7 - Recognise and manage risk

Recommendation 7.1 – Does not comply:

The Board of a listed entity should;

- (a) have a committee or committees to oversee risk, each of which;
 - a. has at least three members, a majority of whom are independent directors, and*
 - b. is chaired by an independent director; and disclose:*
 - c. the charter of this committee; and*
 - d. the members of the committee; and*
 - e. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendance of 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 Company does not have a risk committee the Board is responsible for the entity's risk management framework. The Board monitors the operation and financial aspects of the entity's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and risks that face the entity.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the entity has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Recommendation 7.2 – partially compliant for the period:

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 Audit Committee and the Managing Director monitor the Company's material business risks and reports are compiled and considered at regular meetings where it has been established that the internal control system is operating effectively in all material aspects. The Audit Committee met twice during the financial period to review the Company's financial risk framework.

Recommendation 7.3 – Does not comply:

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.*

The Company does not have an internal audit function as it considers the ongoing processes in place for assessing risk and improving the effectiveness of internal controls to be adequate when supported by the external audit function.

Recommendation 7.4 - Comply:

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company undertakes oil and gas exploration and evaluation activities and as such faces risks inherent to this business including economic, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term.

The Company views sustainable and responsible business practices as an important long term driver of performance and shareholder value and is committed to transparency, fair dealing, responsible treatment of employees, partners and the communities in which we operate. The Company undertakes an ongoing review of its health, safety and environmental risks reporting to the Board on a monthly basis.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 – partially complies for the period:

The Board of a listed entity should:

- (a) have a remuneration committee which;
 - a. has at least three members, a majority of whom are independent directors; and*
 - b. is chaired by an independent director; and disclose:*
 - c. the charter for the committee;*
 - d. the members of the committee; and*
 - e. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of 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 Company has a combined remuneration and nomination committee consisting of two members from the Board, an independent non-executive director as chair and an independent non-executive director.

The remuneration and nomination committee charter is available here and that sets out its role and responsibilities, composition, structure and membership requirements. The relevant qualifications and experience of the members, number of times the committee met and individual attendances of the members at the meetings are disclosed in the Company's annual report.

Recommendation 8.2 - Comply:

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 Company has a clearly distinguished structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company is required to disclose in its annual report details of remuneration to directors. Please refer to the remuneration report for details regarding the remuneration structure of executive and non-executive directors and the Managing Director and senior executives.

Recommendation 8.3 - Comply:

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 the policy or a summary of it.*

The Company has an Employee Share Plan which, at the discretion of the Board, allows for the issue of shares to employees and consultants as part of their remuneration. Details of the Employee Share Plan and shares issued are disclosed in the Company's annual financial statements.

The securities trading policy which deals with the sale and purchase of securities in the Company also governs transactions involving derivatives. The securities trading policy is available [here](#).

warregoenergy.com

