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# GRAND GULF ENERGY LIMITED

## CORPORATE GOVERNANCE POLICIES

This corporate governance statement is provided by Grand Gulf Energy Limited (“Grand Gulf or the Company”) pursuant to ASX Listing Rule 4.10.3 and measures the Company’s governance practices against the recommendations in the 3rd edition of the Corporate Governance Principles and Recommendations (“ASX Principles and Recommendations”).

The corporate governance statement discloses the extent to which the Company has followed the ASX Principles and Recommendations during the year ended 30 June 2020 and has been approved by the Board of the Directors of the Company (“the Board”).

Grand Gulf has prepared an ASX Appendix 4G – Key to Disclosures which together with this corporate governance statement is lodged with the ASX.

## PRINCIPLE 1 – LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Recommendation 1.1 – Role of the Board and Management

The Board is responsible for corporate governance, that is, the system by which the Company and its subsidiaries (“the Group”) are managed. The Board has adopted a Corporate Governance Charter, incorporating a Board Charter, which outlines the manner in which its powers and responsibilities are exercised and discharged having regard to principles of good corporate governance and applicable laws.

The Corporate Governance Charter, incorporating a Board Charter, is available on the Company’s website: [www.grandgulfenergy.com.au](http://www.grandgulfenergy.com.au) in the Corporate Governance section of the website.

The role of the Board is to create sustainable shareholder wealth in a manner consistent with the Company’s Constitution, the Board Charter and all legal and regulatory requirements.

The Board achieves this by:

- a) charting strategy and setting financial targets for the Group;
- b) monitoring the implementation and execution of strategy and performance against financial targets;
- c) appointing and overseeing the performance of executive management;
- d) setting and overseeing the Company’s values and corporate governance framework, and ensuring that the Company acts with integrity and in accordance with the highest ethical standards;
- e) ensuring there is an effective balance between the delegation and responsibility for the day to day operation and management to the Managing Director/CEO and the role of the Board in monitoring, guiding and providing oversight; in setting, overseeing the Company’s direction; and
- f) ensuring effective communication with shareholders.

The Board has responsibility for the matters specified above and, in addition to those matters reserved to it by law, reserves to itself the following matters and all power and authority in relation to those matters:

- a) oversight of the Group including its control and accountability systems;
- b) appointing and removing the Managing Director/CEO;
- c) ratifying the appointment and, where appropriate, the removal of the Company Secretary;
- d) reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- e) monitoring senior management’s performance and implementation of strategy, and ensuring appropriate resources are available;
- f) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- g) approving and monitoring financial and other reporting;
- h) performance of investment and treasury functions;
- i) monitor industry developments relevant to the Group and its business;

- j) developing suitable key indicators of financial performance for the Group and its business;
- k) input into and final approval of management's development of corporate strategy and performance objectives;
- l) the overall corporate governance of the Group including the strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- m) oversight of Committees.

To assist in the execution of its responsibilities, the Board has the authority to establish Committees (and delegate powers accordingly) to consider such matters as it may consider appropriate including, by way of example only, audit matters, finance and business risks, remuneration, and nominations, and to establish a framework for the effective and efficient management of the Company and the Group.

The Company complies with Recommendation 1.1 of the ASX Principles and Recommendations.

#### Recommendation 1.2 – Director Checks

The Company has processes in place to ensure the appropriateness of candidates for appointment and election as Directors.

Full details of each Director are announced in the initial appointment announcement and also included in the Annual Report. Where a director is seeking election, shareholders are given full details.

The Company complies with Recommendation 1.2 of the ASX Principles and Recommendations.

#### Recommendation 1.3 – Written Agreement with each Director and Senior Executive

The Company has written agreements with each Director, including Managing Director/Chief Executive Officer, setting out the terms of their appointment.

The Company complies with Recommendation 1.3 of the ASX Principles and Recommendations.

#### Recommendation 1.4 – Company Secretary

The Company Secretary reports directly to the Board, through the Chairman, on all matters regarding the functioning of the Board.

The Company complies with Recommendation 1.4 of the ASX Principles and Recommendations.

#### Recommendation 1.5 – Diversity

Having regard to the size (including a small complement of staff), current ownership structure of the Company and the nature of its activities, a separate formal diversity policy has not been adopted.

The Company does not discriminate on the basis of age, ethnicity or gender in any employment matters and when a position becomes vacant the Company seeks to employ the best candidates available for the position.

The Company currently has no women in senior executive positions or women on the Board. The Board fully supports the gender diversity concept and is committed to establishing measurable objectives for achieving gender diversity as the business expands.

The Company does not comply with Recommendation 1.5 of the ASX Principles and Recommendations.

#### Recommendation 1.6 – Board Performance Assessment

The Company has a process for periodically evaluating the performance of its Board and each Director. The performance of all the directors is reviewed by the Chairman. The performance of the Chairman is reviewed and assessed by the other directors. The Chairman determines the evaluation criteria and process. This was completed during the year.

The Company complies with Recommendation 1.6 of the ASX Principles and Recommendations.

#### Recommendation 1.7 – Performance Evaluation of Senior Executives

The Company has a process for periodically evaluating the performance of its Managing Director/Chief Executive Officer and other senior executives. The performance of Managing Director/Chief Executive Officer and other senior executives is reviewed by the Board each year. In addition, the performance of the Managing Director/Chief Executive Officer and other senior executives is constantly reviewed by the Board as part of the ordinary course of meetings of directors.

The Company complies with Recommendation 1.7 of the ASX Principles and Recommendations.

## PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

### Recommendation 2.1 – Nomination Committee

The Board has not formed a Nomination Committee as recommended by Recommendation 2.1 of the ASX Principles and Recommendations.

The Board as a whole reviews the composition of the Board and appointment of new Directors, to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise at least three directors;
- the Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;

- the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified; and
- the board shall meet regularly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items;

The directors in office at the date of this statement are:

Mr Craig Burton Non-Executive Chairman (appointed 5 March 2019)  
Mr Mark Freeman Managing Director (appointed 27 October 2010)  
Mr Christopher Bath Non-Executive Director (appointed 5 March 2019)

Having regard to the size, current ownership structure of the Company and the nature of its activities, the Board believes that the current composition of the Board is appropriate as it adds value by ensuring there is a broad range of experience, expertise, skills, qualifications, and contacts which are deemed relevant to the business of the Company.

The Board also considers it more efficient for the selection and appointment of directors to be considered by the Board itself at this stage. The Board may also engage an external consultant where appropriate to identify and assess suitable candidates who meet the Board's selection criteria.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director / Chief Executive Officer) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001 (Cth), the Board does not subscribe to the principle of a compulsory retirement age and there is no maximum period of service as a Director. A Managing Director/ Chief Executive Officer may be appointed for any period and on any terms the Directors think fit and, subject to the terms of the written agreement entered into, the Board may revoke this appointment according to the terms of this agreement.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically to determine if a Nominations Committee is required for the Board to properly perform its responsibilities and functions.

The Company does not comply with Recommendation 2.1 of the ASX Principles and Recommendations.

#### Recommendation 2.2 – Board Skills Matrix

The Board endeavours to ensure that the Board comprises members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business. Having regard to the size, current ownership structure of the Company and the nature of its activities, the Board considers that it has the necessary balanced mix of skills.

To date the Board does not consider that a specific skills matrix is required. However, the Board will continue to consider whether it would be appropriate for the Company to adopt a board skills matrix as the Company continues to develop and grow.

The profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report, included in the Company's Annual Report.

The Company does not comply with Recommendation 2.2 of the ASX Principles and Recommendations.

#### Recommendation 2.3 – Directors Independence

The current Board comprises three directors with two non-executive directors and one executive director.

The Board has followed the criteria outlined in Box 2.3 of ASX Principles and Recommendations when assessing the independence of the Directors.

Based on the criteria in the ASX Principles and Recommendations. Messrs Burton and Freeman are not considered independent. According to the definition under the ASX Principles and Recommendations Mr Christopher Bath is an independent director.

The profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report, included in the Company's Annual Report.

The Company does not comply with Recommendation 2.3 of the ASX Principles and Recommendations.

#### Recommendation 2.4 – Majority of Directors Independent

The Company does not currently have a majority of the Board who are independent directors as recommended by Recommendation 2.4 of the ASX Principles and Recommendations.

Having regard to the size, current ownership structure of the Company and the nature of its activities, the Directors believe that the current composition of the Board is appropriate as it adds value by ensuring there is a broad range of experience, expertise, skills, qualifications, and contacts which are deemed relevant to the business of the Company.

The situation will be monitored and changed in line with best practice as and when the Directors feel the company is of sufficient size. To ensure that independent judgment is achieved and maintained in respect of its decision-making processes, the Board has adopted a number of measures which include the following:

- each director has the right to seek independent legal or other professional advice at the Company's expense, and
- any director having a conflict of interest in relation to a particular item of business must declare their interest and not vote on that item of business and excuse themselves from the Board meeting if required by the Board before commencement of discussion on the topic.

The Company does not comply with Recommendation 2.4 of the ASX Principles and Recommendations.

#### Recommendation 2.5 – Independent Chairman & Chief Executive Officer

The roles of Chairman and Managing Director/Chief Executive Officer of the Company are separately held by Mr Craig Burton and Mr Mark Freeman respectively.

The Company's Chairman is a non-executive director and he is a substantial shareholder and as such is not an independent director under the definition of the ASX Principles and Recommendations

The Board considers Mr Burton's role as Non-Executive Chairman essential to the success of the Company at this stage of its development.

The Company does not comply with Recommendation 2.5 of the ASX Principles and Recommendations.

#### Recommendation 2.6 – Company Induction and Professional Development of Directors

The Board considers that its Directors are suitably qualified and experienced to fulfil their roles, and that the Board possesses the correct mix of skills for the Board to be able to carry out its function effectively. Each new director of the Company is, upon appointment, provided with an induction into the Company's assets and business including policies and procedures. This includes discussions with members of the existing Board, the Company Secretary and other key executives to familiarise themselves with the Company.

The Company complies with Recommendation 2.6 of the ASX Principles and Recommendations.

### PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

#### Recommendation 3.1 – Code of Conduct

The Board has adopted a detailed Code of Conduct For Directors (incorporated in the Corporate Governance Charter) and a Securities Trading Policy. Both are published on the Company's website: [www.grandgulfenergy.com](http://www.grandgulfenergy.com). The purpose of these codes is to guide Directors, senior executives and employees in the performance of their duties and to define the circumstances in which both the directors and management, and their respective associates, are permitted to deal in securities.

The Company complies with Recommendation 3.1 of the ASX Principles and Recommendations.

### PRINCIPLE 4 – SAFEGUARDING INTEGRITY IN CORPORATE REPORTING

#### Recommendation 4.1 – Audit & Risk Management Committees

The Board disbanded the Audit and Risk Management Committees. The full Board carries out the function of an audit and risk management committees. The Board believes that the Company is not of a sufficient size to warrant separate committees and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area.



It is the board's responsibility to ensure that an effective internal control framework exists within the entity.

The role of the Board responsibilities includes:

- the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company,
- the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.
- provision of additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report, and
- internal controls to deal with both the effectiveness and efficiency of significant business processes.
- reviewing the risk management framework and policies within the Company and monitoring their implementation.

As stated above the majority of the board is not independent.

The Board is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

Risk Management Committee.

The Company has disclosed the relevant qualifications and experience of the members of the Board in the Directors' Report.

The Board met a total of five times during the year ended 30 June 2019.

The Company does not comply with Recommendation 4.1 of the ASX Principles and Recommendations.

Recommendation 4.2 – Declarations from the CEO and CFO

The Managing Director/Chief Executive Officer and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

The Company complies with Recommendation 4.2 of the ASX Principles and Recommendations.

Recommendation 4.3 – External Auditors

The Company invites the auditors to attend the AGM. The auditors are available to answer any questions from shareholders relevant to the audit.

The Company complies with Recommendation 4.3 of the ASX Principles and Recommendations.



## PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1 – Disclosure Policy

The Company is committed to providing timely, complete and accurate disclosure of information to allow a fair, and well informed market in its securities and compliance with continuous disclosure requirements imposed by law including the Corporations Act and the ASX Listing Rules.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website: [www.grandgulfenergy.com](http://www.grandgulfenergy.com)

The Company complies with Recommendation 5.1 of the ASX Principles and Recommendations.

## PRINCIPLE 6 - RESPECTING THE RIGHTS OF SHAREHOLDERS

### Recommendation 6.1 – Information on Website

The Company provides information about itself and its governance to its investors via the Company's website; [www.grandgulfenergy.com](http://www.grandgulfenergy.com) which contains all relevant information about the Company. The Company will regularly update the website and its contents therein as deemed necessary.

The Company complies with Recommendation 6.1 of the ASX Principles and Recommendations.

### Recommendation 6.2 – Investor Relations Program

The Board aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs.

In line with ASX's continuous disclosure requirements, the Company keeps its shareholders informed through regular reports including the annual reports, half yearly reports, quarterly reports and specific ASX releases covering material developments and other price sensitive information. Shareholders are encouraged to attend and participate at general meetings. The Company's auditors attend the annual general meetings and are available to answer shareholders' questions. The directors believe that the Company's policies comply with the Guidelines in relation to the rights of shareholders.

In addition, the Company has in place a key investor relations program that aims to facilitate effective two-way communication with investors. The program comprises:-

- meetings with key existing and potential shareholders and brokers, and
- presentations to these key stakeholders on the Company's activities and on its and the industry outlook. Those presentations are released to the ASX prior to those presentations in accordance with the ASX Listing Rules.

The Company complies with Recommendation 6.2 of the ASX Principles and Recommendations.

### Recommendation 6.3 – Participation at Meetings of Shareholders

All shareholders are notified in writing of general meetings and encouraged to participate in person or by to ensure a high level of accountability and understanding of the Group's strategy, activities and financial position and performance.

The Company complies with Recommendation 6.3 of the ASX Principles and Recommendations.

### Recommendation 6.4 – Electronic Communication

The Company's website, [www.grandgulfenergy.com](http://www.grandgulfenergy.com) has a facility for investors to send emails to the Company.

The Company's share registry, Advanced Share Registry Services, has facilities for shareholders to receive and send communications electronically.

The Company complies with Recommendation 6.4 of the ASX Principles and Recommendation.

## PRINCIPLE 7 – RECOGNISING AND MANAGING RISK

### Recommendation 7.1 – Risk Committee

The Company does not have a separate Risk Committee. This committee was disbanded in October 2010 since the Board believes that the Company is not of a sufficient size to warrant separate committees and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

The role of the Board responsibilities includes:

- the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company,
- the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.
- provision of additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report, and
- internal controls to deal with both the effectiveness and efficiency of significant business processes.
- reviewing the risk management framework and policies within the Company and monitoring their implementation.

As stated above the majority of the board is not independent.

A copy of the Company's Risk Policy and Internal Compliance and Control Systems is included in the Company's Corporate Governance disclosure available on the Company's website: [www.grandgulfenergy.com](http://www.grandgulfenergy.com).

The Board will reassess its ability to do this function on a regular basis. The Company may consider appointing further independent directors in the future at which time it may reconsider the re-adoption of Audit and Risk Management Committees.

The Company has disclosed the relevant qualifications and experience of the members of the Board in the Directors' Report. The Board met a total of five times during the year ended 30 June 2019.

The Company does not comply with Recommendation 7.1 of the ASX Principles and Recommendations.

#### Recommendation 7.2 – Annual Risk Review

The Board regularly reviews and the risk framework of the Company.

However no formal review of the risk management framework occurred during the year ended 30 June 2020.

The Company does not comply with Recommendation 7.2 of the ASX Principles and Recommendation.

#### Recommendation 7.3 – Internal Audit

Having regard to the size (including a small complement of staff), current ownership structure of the Company and the nature of its activities, the Company does not have an internal audit function. The Board as a whole and its external auditor, discharges the function of evaluating and continually improving the effectiveness of its risk management and control processes.

The Company complies with Recommendation 7.3 of the ASX Principles and Recommendation.

#### Recommendation 7.4 – Economic, Environmental and Social Sustainability Risks

The Company's performance is subject to business, financial and operational risks including but not limited to:

- industry risks associated with exploration and production of oil and gas generally and onshore operations specifically, including inability to find or replace reserves;
- oil and gas price risk;
- economic risks, such as changes in economic conditions that may adversely impact the Company's business or operations;
- environmental risks due to oil spills, natural gas leaks, pipeline ruptures or discharges of toxic gases;
- financial risks including access to capital on satisfactory terms, and
- social sustainability risks.

The Company's Risk Management Policy incorporates these risks and is regularly reviewed and updated at least annually.

The Company complies with Recommendation 7.4 of the ASX Principles and Recommendation.

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### Recommendation 8.1 – Remuneration Committee

Having regard to its size, with a small complement of staff and executive, the Company does not currently have a dedicated Remuneration Committee. The task of ensuring that the level of director and executive remuneration is appropriate and competitive, and that its relationship to performance is clear, is dealt with by the Board.

The Company does not comply with Recommendation 8.1 of the ASX Principles and Recommendation.

### Recommendation 8.2 – Disclosure of Remuneration Policies and Practices

The Company's policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives is disclosed in the Remuneration Report which forms part of the Directors' Report.

The Company complies with Recommendation 8.2 of the ASX Principles and Recommendation.

### Recommendation 8.3 – Policy on Equity Based Remuneration Scheme

Under the Company's Securities Trading Policy, available on the Company's website: [www.grandgulfenergy.com](http://www.grandgulfenergy.com) senior executives and directors are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of any equity based remuneration packages, such as options and employee incentive rights.

The Company complies with Recommendation 8.3 of the ASX Principles and Recommendation.