

2016 Corporate Governance Statement



INCREMENTAL OIL AND GAS LIMITED

ACN 138 145 114 (COMPANY)

CORPORATE GOVERNANCE STATEMENT - FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

This Corporate Governance Statement is current as at 23 May 2017 and has been approved by the Board of the Company. This Corporate Governance Statement discloses the extent to which the Company has, during the financial year ending 31 December 2016, followed the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that have not been followed for any part of the reporting period have been identified and reasons provided for not following them along with what (if any) alternative governance practices were adopted in lieu of the recommendation during that period.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees. The Company's Corporate Governance Plan is available on the Company's website at www.incremental油和gas.com.

RECOMMENDATION (3 RD EDITION)		EXPLANATION
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.		
1.1.	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	COMPLIANT The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

RECOMMENDATION (3 RD EDITION)	EXPLANATION
	<p>To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Managing Director, the Chief Financial Officer and other key executives in the performance of their roles.</p> <p>In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.</p> <p>Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.</p> <ul style="list-style-type: none"> • overseeing the business and affairs of the Company; • establishing codes that reflect the values of the Company and guide the conduct of the Board. • undertaking appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; • appointing the managing director and other senior executives and determining their terms and conditions, including remuneration and termination; • driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance; • reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance; • reviewing the Company's occupational health and safety systems; • approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures; • approving and monitoring the budget and the adequacy and integrity of financial and other reporting; • approving the annual, half-yearly and quarterly accounts; • approving significant changes to the organisational structure; • approving the issue of any shares, options, equity instruments or other securities in the Company; • ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision-making;

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		<ul style="list-style-type: none"> recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved; and meeting with the external auditor, at their request, without management being present. ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company. <p>The Board of Directors of the Company is responsible for its corporate governance and the Board has adopted a manual of corporate governance policies and procedures based on control systems and accountability.</p>
1.2.	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director; and</p> <p>(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.</p>	<p>(a) NON-COMPLIANT</p> <p>Formal checks in relation to the criminal record or bankruptcy history of a new director have not previously been checked.</p> <p>When nominating new directors to the Board in the recent past, existing Board members have been able to vouch for the integrity and good standing of new directors from knowing and working with these individuals for a reasonable period of time.</p> <p>The Company will implement a more rigorous and compliant reference check of candidates which will verify their character, experience, education, criminal record and bankruptcy history.</p> <p>(b) COMPLIANT</p> <p>New Board candidates are identify and recommend after considering the necessary and desirable competencies of the individual to ensure the appropriate mix of skills and experience. All material information relevant to whether or not to elect or re-elect a director is provided to the Company's shareholders as part of the Notice of Meeting and explanatory statement for the relevant meeting of shareholders which addresses the election or re-election of a Director.</p>

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1.3.	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>NON-COMPLIANT</p> <p>The Company has written agreements in place with all its senior executives in accordance setting out the terms of their appointment. The Company does not currently have written appointment letters with its non-executive directors. The Company will finalise appointment agreements with all of its non-executive directors setting out the expectations and responsibilities of the director.</p>
1.4.	The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>COMPLIANT</p> <p>The Company Secretary is responsible for ensuring Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.</p>
1.5.	<p>A listed entity should:</p> <ul style="list-style-type: none"> (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 as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.1 	<p>NON-COMPLIANT</p> <p>The Board has not adopted a formal diversity policy given the present size of the Company and has therefore no measurable objectives for achieving gender diversity. A formal policy will be considered if deemed appropriate in future, if and when the size of the Company's operations and workforce would benefit from a formalised policy. It is noted that the Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas, and benefitting from all available talent.</p> <p>Incremental has 9 employees, of which 2 are women. There is 1 woman in a senior executive position - Vice President Land and Legal. The Company is not a "relevant employer" under the Workplace Gender Equality Act.</p>

RECOMMENDATION (3 RD EDITION)		EXPLANATION
1.6.	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>NON-COMPLIANT</p> <p>The Company will undertake periodic performance reviews of senior executives, committees of the Board and the Board. The Board evaluates the performance of individual directors and of committees. The Company has not adopted formal processes for evaluating the performance of the Board, its committees and individual directors on the basis that such formal processes are not appropriate at this stage of the Company's development.</p> <p>During the reporting period the performance evaluations for the Board and individual Directors did occur on an informal basis in accordance with the disclosed process.</p>
1.7.	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>NON-COMPLIANT</p> <p>The Board, through the Remuneration Committee, will oversee the performance evaluation of the senior executive team. This evaluation is based on specific criteria, including the performance of the Company, whether strategic objectives are being achieved and the development of management and personnel.</p> <p>Incremental has only informal procedures in place for performance evaluation of the senior executives but will consider formal processes in future. When these formal procedures are in place, reporting to these performance evaluations will be carried out.</p>
<p>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE.</p> <p>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</p>		
2.1.	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a Nomination Committee which: <ul style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: <ul style="list-style-type: none"> 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or 	<p>NON-COMPLIANT</p> <p>A Nomination Committee (Remuneration Committee) has been established by the Board and comprises of Mr Stowell (Chairman) and Mr McGann. The Nomination Committee are not independent Directors and the Chair is not an independent Director. A formal charter for the Committee will be adopted in due course.</p> <p>COMPLIANT</p> <p>The Nomination Committee meets periodically during the reporting period. The number of times that the Committee meets and the individual attendances of the members is disclosed in the Company's annual report.</p>

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	(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																								
2.2.	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	NON-COMPLIANT The Nomination Committee assess the skills and competencies required on the Board. A Board skills matrix setting out the mix of skills and diversity that the Board currently has, or is looking to achieve, has not been formalised. The Committee will periodically assess the skills required to discharge the Board’s duties, having regard to the strategic direction of the Company, and report that assessment to the Board. The current mix of skills that is available of the Board is diverse and includes geological, engineering, legal, financial and management with a significant amount of senior management experience both individually and collectively. The Board has been selected to ensure that such a range of skills exists for the benefit of the Company. These skills are set out in the Directors’ Report above and on the Company’s web site.																							
2.3.	A listed entity should disclose: (a) the names of the directors considered by the Board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendations (3rd Edition) but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	COMPLIANT The Board consisted of: <table><tr><th>Name</th><th>Role</th><th>Independent</th><th>Date of appointed</th></tr><tr><td>Mark Stowell</td><td>Non-Executive Chairman</td><td>No</td><td>July 2009</td></tr><tr><td>Gerard McGann</td><td>Non-Executive Technical Director</td><td>No</td><td>July 2009</td></tr><tr><td>Matthew McCann</td><td>Non-Executive Director</td><td>Yes</td><td>April 2014</td></tr><tr><td>John Whisler</td><td>Managing Director</td><td>No</td><td>July 2014</td></tr></table> In considering the independence of Directors, the Board refers to the criteria for independence as set out in Box 2.3 of the ASX Principles and Recommendations (Factors relevant to assessing the independence of a Director).				Name	Role	Independent	Date of appointed	Mark Stowell	Non-Executive Chairman	No	July 2009	Gerard McGann	Non-Executive Technical Director	No	July 2009	Matthew McCann	Non-Executive Director	Yes	April 2014	John Whisler	Managing Director	No	July 2014
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Mark Stowell	Non-Executive Chairman	No	July 2009																						
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		<p>The materiality thresholds in this policy are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.</p> <p>The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The current Board includes a non-executive Chairman, Mr Stowell, two non-executive Directors, Mr McGann and Mr McCann and one executive Director, the Managing Director, Mr Whisler.</p> <p>Mr McCann (Non-Executive Director) meets the Company's criteria for independence. Mr Stowell and Mr McGann (by virtue of their controlled shareholding being higher than 5% of the Company's issued capital) and Mr Whisler (by virtue of the fact that he is an executive of the Company) are not considered to be independent. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.</p> <p>The length of service of all Directors is stated in the Annual Report.</p>
2.4.	A majority of the board of a listed entity should be independent directors.	<p>NON-COMPLIANT</p> <p>As noted in recommendation 2.3 a majority of Directors of the Board are not independent.</p> <p>The Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by Directors who have a vested interest in the Company. The Board has been structured based on the need to effectively discharge its responsibilities and duties, given the current scale of the Company's operations.</p> <p>Each Director has the relevant experience and specific expertise relevant to the Company's business and level of operations. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. The Board will monitor its composition as the Company's operations evolve, and may appoint independent Directors as it deems appropriate.</p>

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2.5.	The Chair of the Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<p>NON-COMPLIANT</p> <p>The position of Chairman is occupied by Mr Stowell (who by virtue of his shareholding being higher than 5% of the Company's issued capital is not considered independent). Whilst it is acknowledged that Mr Stowell is not independent, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain in that position.</p> <p>COMPLIANT</p> <p>The roles of Chairman and the Managing Director are carried out by different persons, namely Mr Stowell and Mr Whisler respectively.</p>
2.6.	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>COMPLIANT</p> <p>It is the policy of the Company that any new director will undergo an induction process in which they are given a briefing on the Company. Where possible this includes meetings with key executives, tours of the Company's projects and exploration sites, an induction package and presentations. Information conveyed to new directors includes:</p> <ul style="list-style-type: none"> • details of the roles and responsibilities of a director; • formal policies on director appointment as well as conduct and contribution expectations; • guidelines on how the Board processes function; • details of past, recent and likely future developments relating to the Board; • background information on and contact information for key people in the organisation; • an analysis of the Company; • a synopsis of the current strategic direction of the Company; and • a copy of the Constitution of the Company. In order to achieve continuing improvement in Board performance, all directors are encouraged to undergo continual professional development.

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PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY. A listed entity should act ethically and responsibly.		
3.1.	A listed entity should: <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	COMPLIANT The Company has adopted a Code of Conduct that outlines how the Company expects its Directors and employees of the Group to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices. The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. It sets out the Company's expectations of its Directors and employees with respect to a range of issues including conflicts of interests, receipt of gifts, company property, computer, telephone and internet use, confidentiality, business ethics, equal opportunity, harassment and discrimination, health and safety, the environment and travel expenses. A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment.
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTING. A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.		
4.1.	The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ol style="list-style-type: none"> 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, and disclose: 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period 	NON-COMPLIANT The members of the Audit and Risk Committee are Mr McCann (Chairman) and Mr Stowell. The Board has adopted an Audit and Risk Committee Charter. The Audit and Risk Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Committee will set aside sufficient time to discharge its functions to ensure the integrity of the financial statements of the Company and the independence of the external auditor. The Audit and Risk Committee will review the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommend their approval or otherwise to the full Board.

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	<p>and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Audit and Risk Committee will each year review the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.</p> <p>The Audit and Risk committee is made up of two directors. It is chaired by a non-executive independent director, Mr McCann.</p> <p>The Board considers that in the current phase of the Company's growth, it is not appropriate to allocate more resources to include a third member of the audit committee. Both members of the audit and risk committee have a strong financial and commercial background with the relevant qualifications to make valid judgements of the financial performance of the Company.</p> <p>Details of meetings held in the year are disclosed in the Directors Report.</p>
4.2.	<p>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.</p>	<p>COMPLIANT</p> <p>The Board has received assurance in writing from Mr Whisler – Managing Director and Mr Adams – Chief Financial Officer, in accordance with section 295A of the Corporations Act 2001, prior to annual and interim financial reports being approved and signed off by the Board.</p>
4.3.	<p>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.</p>	<p>COMPLIANT</p> <p>The Company requests the external auditor to attend the AGM and be available to answer security holder's questions about the conduct of the audit and the preparation and content of the auditor's report.</p>

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PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE. A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.		
5.1.	A listed entity should: <ul style="list-style-type: none"> (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. 	COMPLIANT The Company's Board Charter includes a section on Continuous Disclosure. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information: <ul style="list-style-type: none"> • concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and • that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities. All relevant information provided to ASX in compliance with the continuous disclosure requirements and legislation and the Listing Rules is promptly posted on the Company's website www.incremental油和gas.com .
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS. A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.		
6.1.	A listed entity should provide information about itself and its governance to investors via its website.	COMPLIANT The Board aims to ensure that the Company's shareholders are informed of all major developments affecting the Company's state of affairs. The Company keeps investors informed through its website www.incremental油和gas.com which contains information on the Company, the Board and the corporate governance policies and procedures of the Company. Through its website, investors can access copies of the Company's annual report, half-yearly and quarterly reports, ASX announcements, presentations and key media coverage.
6.2.	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	COMPLIANT

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		<p>The Company's Board Charter includes a section on Shareholder Communication. The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:</p> <ul style="list-style-type: none"> • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company; • giving shareholders ready access to balanced and understandable information about the Company and corporate proposals; • making it easy for shareholders to participate in general meetings of the Company; and • requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. <p>The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.</p>
6.3.	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>COMPLIANT</p> <p>The Company considers general meetings to be an effective means to communicate with shareholders and encourage shareholders to attend the meeting. Information is included within the notice of meeting sent to shareholders.</p>
6.4.	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>COMPLIANT</p> <p>The Company maintains a database of shareholders, who receive automatic email updates of significant developments in the Company's affairs. Information is also available on the Company website. Alternatively, hard copies of information distributed by the Company are available upon request.</p> <p>The Company's share register manager is Link Market Services . The option for shareholders to receive communications from, and send communications electronically is provided by the registrar.</p>

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PRINCIPLE 7 – RECOGNISE AND MANAGE RISK. A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.	
<p>7.1. The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>(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.</p>	<p>NON-COMPLIANT</p> <p>As noted in the Audit and Risk Committee Charter, the Board is responsible for ensuring there is a sound system for overseeing and managing risk. Due to the size and scale of operations of the Company, risk management issues are considered by the Board as a whole.</p> <p>The Board has delegated to the Managing Director responsibility for implementing the risk management system. The Managing Director submits particular matters to the Board for its approval or review. The Managing Director is required to report on management of the Company's material risks as a standing agenda item at each Board meeting. This involves the tabling of a risk register which is monitored and updated by management periodically.</p> <p>The Board also requires Mr Whisler, in the capacity as Managing Director of the Company, and Mr Adams, in the capacity as Chief Financial Officer of the Company, to confirm that a risk management and internal control system to manage the Company's material business risks has been designed and implemented.</p>
<p>7.2. The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>COMPLIANT</p> <p>The Board regularly reviews the Company's risk management framework. Under the framework, the Board delegates day-to-day management of risk to the Managing Director/CEO, who is responsible for identifying, assessing, monitoring and managing risks. The Company also undertakes an annual review of operations to update its risk profile, which normally occurs in conjunction with the strategic planning process. This annual review occurred during the reporting period.</p>
<p>7.3. A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	<p>NON-COMPLIANT</p> <p>The Company does not have a specific internal audit role within the organisation. Given the size of the Company and the resources available, the Board relies on its risk management policy and internal compliance and control system to review the risk management processes that are proposed and implemented by management. All members of the Board are experienced in the management of companies and have</p>

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		regular contact with management through monthly financial and operational reporting and Board meetings.
7.4.	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.	<p>NON-COMPLIANT</p> <p>The Company identifies and manages material exposures to economic, environmental and social sustainability risks in a manner consistent with its Risk Management Policy. Sustainability risk of the business is monitored regularly with various key performance indicators used to make this assessment.</p> <p>The reporting on economic, environmental and social sustainability is addressed informally through management reporting but it is not addressed in the Company's annual report or other public announcements other than those as part of its continuous disclosure requirements on the ASX. The Board believes that the disclosure of these risks through management's regular reporting is sufficient to monitor and manage risk.</p>
<p>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY.</p> <p>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.</p>		
8.1.	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> has at least three members, a majority of whom are independent directors; and is chaired by an independent director, and disclose: the charter of the committee; the members of the committee; and 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 <p>(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.</p>	<p>NON-COMPLIANT</p> <p>The role of the Remuneration and Nominations Committee is to assist the Board in respect of establishing appropriate remuneration levels and incentive policies for employees. The purpose of the Remuneration and Nominations Committee is to ensure that the Company attracts and retains appropriate people by offering competitive remuneration packages and to review Board composition and performance.</p> <p>The members of the Remuneration and Nomination Committee are Mr Stowell (Chairman) and Mr McGann, both non-executive Directors of the Company. Neither member meets the independence criteria due to the fact that they hold more than 5% of the Company's shares on issue. There are currently only two members of the Remuneration and Nomination Committee.</p> <p>The Board believes that given the Company's size and stage of development and the size of the Board the composition of the Remuneration and Nomination Committee is appropriate and adequate. As the size and composition of the full Board evolves and the Company develops, the Company will consider the appropriateness of the</p>

RECOMMENDATION (3 RD EDITION)		EXPLANATION
		composition of the Remuneration and Nomination Committee. The number of committee meetings held in the year is disclosed in the Directors Report.
8.2.	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	<p>COMPLIANT</p> <p>The policies adopted by the Company are set out in the audited Remuneration Report in the Directors' Report. The Board has formed a remuneration committee. Appropriate remuneration policies are developed and approved by the remuneration committee and the Board each year to reflect the Company's plans for growth. The role of the Remuneration and Nominations Committee is to assist the Board in respect of establishing appropriate remuneration levels and incentive policies for employees. The purpose of the Remuneration and Nominations Committee is to ensure that the Company attracts and retains appropriate people by offering competitive remuneration packages and to review Board composition and performance.</p> <p>The Remuneration and Nominations Committee monitors and reviews:</p> <ul style="list-style-type: none"> • the remuneration arrangements for the Managing Director and other senior executives; • the remuneration policies, personnel practices and strategies of the Company generally; • any employee incentive scheme; • the remuneration arrangements for non-executive members of the Board; • the size and composition of the Board, and criteria for Board membership; and • the membership of the Board and propose candidates for consideration by the Board.
8.3.	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p>COMPLIANT</p> <p>The Securities Trading Policy adopted by the Board prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of quarterly, half yearly or annual results or any other market sensitive information relating to the Company's activities) except in exceptional circumstances and subject to procedures set out in the Policy. Outside of these blackout periods, a Director, officer or employee must first obtain clearance in accordance with the Policy before trading in shares.</p>