

# Corporate Governance Statement

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## Introduction

The board of directors is responsible for the corporate governance of Petratherm Limited (the Company) and its controlled entities (the Group). The Company operates in accordance with the corporate governance principles as set out by the ASX corporate governance council and required under ASX listing rules.

The Company details below the corporate government practices in place at the end of the financial year, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated.

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

### Board Responsibilities

The Board are accountable to the Shareholders for the performance of the Group and have overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board to the Managing Director and ultimately to senior executives.

The key responsibilities of the board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives;
- Adopting budgets and monitoring the financial performance of the Group;
- Reviewing annually the performance of the managing director and senior executives against the objectives and performance indicators established by the Board.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at Petratherm Limited expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

The board has not publicly disclosed a statement of matters reserved for the board, or the board charter and therefore the Company has not complied with recommendation 1.3 of the Corporate Governance Council. Given the skills and experience of each director the Company has not formulated a board charter.

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## Principle 2: Structure the board to add value

### Size and composition of the Board

At the date of this statement the board consists of four non-executive directors and one executive. Directors are expected to bring independent views and judgement to the Board's deliberations.

- Derek Carter Chairman, Non-Executive Director
- Terry Kallis Managing Director
- Richard Bonython Non-Executive Director
- Richard Hillis Non-Executive Director
- Simon O'Loughlin Non-Executive Director

The board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualifications and experience are set out in the Directors' Report of this Annual Report.

### Independence

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

At the date of this statement the board consists of four non-executive directors, Mr D Carter, who is also chairman of the board, Mr R Bonython, Mr R Hillis, Mr S O'Loughlin and an executive director, Mr T Kallis. Mr Carter and Mr Bonython are directors of Minotaur Exploration Limited which is the beneficial holder of 31.81% of the issued capital of Petratherm Limited. The Company therefore has two independent directors as that relationship is currently defined.

The board does not consist of a majority of independent directors and therefore the Company has not complied with recommendation 2.1 of the Corporate Governance Council. The board considers the current structure to be an appropriate composition given the experience and skills of each director.

### Nomination, retirement and appointment of Director's

The board has not established a nomination committee and therefore the Group has not complied with recommendation 2.4 of the Corporate Governance Council. Given the size of the Group the board does not consider a separate committee appropriate. The board takes ultimate responsibility for these matters.

The composition/membership of the board is subject to review in a number of ways, as outlined below:

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- The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.
- Board composition is also reviewed periodically either when a vacancy arises or if it is considered that the board would benefit from the services of a new director, given the existing mix of skills and experience of the board which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the board.

### **Evaluation of Board performance**

The Board continues to review performance and identify ways to improve performance. The Chairman is responsible for reviewing the Board performance on an Annual basis.

### **Board Committee's**

It is the role of the Board to oversee the management of the Group and it may establish appropriate committees to assist in this role.

The Board has established an audit, risk and compliance committee. At the present time no other committees have been established because of the size of the Group and the involvement of the Board in the operations of the Group. The Board takes ultimate responsibility for the operations of the Group including remuneration of Directors and executives and nominations to the Board.

The board has not publicly disclosed the process for evaluating the performance of the board, its committees and individual directors. Therefore, the Group has not complied with recommendation 2.5 of the Corporate Governance Council. Given the size of the Group and board, does not consider disclosure of the performance evaluation process necessary. The board takes ultimate responsibility for these matters.

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

### **Code of Conduct**

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Petratherm intends to maintain a reputation for integrity. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board has adopted a formal code of conduct applying to the Board and all Employees. However, the Group not publicly disclosed the code of conduct and therefore has not complied with recommendation 3.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider disclosure of the code of conduct to be necessary. The board takes ultimate responsibility for these matters.

### **Securities Trading Policy**

The Company's constitution permits designated persons to acquire securities in the Company, however Company policy prohibits designated persons from dealing in the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

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- Any major announcements;
- The release of the Group's quarterly, half yearly and annual financial results to the Australian Stock Exchange; and
- The Annual General Meeting.

Directors must advise the chairman of the board before buying or selling securities in the Company. All such transactions are reported to the board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange, the Company advises the Exchange of any transaction conducted by directors in securities in the Company.

The Company has not established and publicly disclosed a policy concerning trading in company securities by directors, senior executives and employees and therefore has not complied with recommendation 3.2 of the Corporate Governance Council. Given the size of the Company and board, does not consider establishment or disclosure of a trading policy to be appropriate. The board takes ultimate responsibility for these matters.

### Principle 4: Safeguard integrity in financial reporting

The Group aims to structure management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes:

- Review and consideration of the financial statements by the audit committee;
- A process to ensure the independence and competence of the company's external auditors.

### Audit Committee

The audit, risk and compliance committee comprises Mr S O'Loughlin who is the non-executive director and independent of senior management and operating executives of the Company, Mr R Bonython a non-executive director and Mr Donald Stephens a the Company Secretary. The Board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

The Company has not complied with recommendation 4.2 of the Corporate Governance Council. Due to the size of the board it is not possible to meet the

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recommendation of having at least three directors as members, the majority of which are independent.

Given the relative skills and experience of the members of the audit committee the board has not documented a formal committee charter and therefore has not complied with recommendation 4.3 of the Corporate Governance Council.

The board continues to monitor the composition of the committee and the roles and responsibilities of the members.

### Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listing Rules. The company secretary has primary responsibility for all communications with the ASX and is accountable to the board through the chair for all governance matters.

The Group has not publicly disclosed a formal disclosure policy and therefore has not complied with recommendation 5.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider a public disclosure policy to be appropriate. The board takes ultimate responsibility for these matters.

### Principle 6: Respect the rights of shareholders

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders through:

- annual, half-yearly and quarterly financial reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

All information disclosed to the ASX is posted on the company's web site [www.petratherm.com.au](http://www.petratherm.com.au).

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider disclosure of a communications policy to be appropriate. The board takes ultimate responsibility for these matters.

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

The Board has identified the significant areas of potential business and legal risk of Petratherm. The identification, monitoring and, where appropriate, the reduction of significant risk to Petratherm is the responsibility of the Managing Director and the Board. The Board has also established the audit, risk and compliance committee which addresses the risk of the Company.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed with the Managing Director at subsequent Board meetings. Budgets are prepared and compared against actual results.

### **Managing Director and Company Secretary declaration to the Board of Director's**

The Managing Director and the Company Secretary will be required to state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

The Group has not established or publicly disclosed a policy for the oversight and management of material business risks and therefore has not complied with recommendation 7.1 of the Corporate Governance Council. Given the size of the Group, the board does not consider establishment or disclosure of a risk management policy to be appropriate. The board takes ultimate responsibility for these matters.

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

The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$300,000. This amount cannot be increased without the approval of the Company's shareholders. Please refer to the remuneration report within this director's report for details regarding the remuneration structure of the executive director, non-executive director and senior management.

The board has not established a remuneration committee or disclosed a remuneration committee charter and therefore the Group has not complied with recommendation 8.1 and 8.3 respectively of the Corporate Governance Council. Given the size of the Group the board does not consider a separate committee appropriate. The board takes ultimate responsibility for these matters.

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