



## 2020 Corporate Governance Statement

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The Board of 3D Oil Limited (the **Company** or **Group**) is responsible for the overall corporate governance of the Group. The Board believes that good corporate governance helps ensure the future success of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (**Recommendations**) during the reporting period. The Recommendations are not prescriptive, such that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and provide reasons for not following them.

This Corporate Governance Statement (**Statement**) discloses the extent to which 3D Oil Limited has followed the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. This Statement should be read in conjunction with the material on our website <http://www.3doil.com.au/about/corporate-governance>, including the 2020 Annual Report.

This Statement is current as at 24 September 2020 and has been approved by the Board of Directors of 3D Oil Limited.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### **Recommendation 1.1 - Role of the Board and Management**

The role of the Board is to approve the strategic direction of the Company, guide and monitor the management of the Company and its business and oversee the implementation of appropriate corporate governance with respect to the Company's affairs. The Board aims to protect and enhance the interests of its shareholders.

The Board has a formal Board Charter contained within the Corporate Governance Charter, which is available on our website at <http://www.3doil.com.au/about/corporate-governance>

The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's responsibilities, functions and composition, the role of the Company Secretary, the establishment, operation and management of Board Committees, details of the Board's performance review and details of the Board's disclosure policy.

The Board delegates responsibility for the day-to-day management of the Company and its business to the Executive Chairman. The Executive Chairman is supported by the senior executive team and delegates authority to appropriate senior executives for specific activities. The Board maintains ultimate responsibility for strategy, control and risk profile of the Group.

#### **Recommendation 1.2: Appointment of Directors**

The Company has guidelines for the appointment and selection of the Board which require the Board to undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a Director.



We provide our shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director through a number of channels, including via the notice of meeting and other information contained in the 2020 Annual Report.

### **Recommendation 1.3: Appointment Terms**

Each director and senior executive is party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment, including the remuneration entitlement and performance requirements. Directors also receive a deed of indemnity, insurance, and access. Details of executive contracts in place (where applicable) are detailed in the Company's Annual Remuneration Report in the 2020 Annual Report.

### **Recommendation 1.4: Company Secretary**

The Board is supported by the Company Secretaries, whose roles include supporting the Board on governance matters, assisting the Board with meetings and directors' duties, and acting as an interface between the Board and senior executives across the Group. The Board and individual Directors have access to the Company Secretaries.

Under the Company's governance framework, the Company Secretaries are accountable to the Board, through the Chair, on all matters regarding the proper functioning of the Board. The Board is responsible for the appointment of the Company Secretaries.

Details regarding our Company Secretaries, including experience and qualifications, is set out in the Directors' Report in our 2020 Annual Report.

### **Recommendation 1.5: Diversity Policy**

The workforce of the Company comprises individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is valued and respected. To demonstrate the Company's commitment to developing measurable objectives to achieve diversity and inclusion in its workplace, the Company has implemented a Diversity Policy which can be viewed on our website at:  
<http://www.3doil.com.au/about/corporate-governance>

The Diversity Policy provides a framework for the Company to achieve a diverse and skilled workforce, with the aim of leading to continuous improvement and achievement of corporate goals, a workplace culture characterised by inclusive practices and behaviours, equal employment and career development opportunities for all staff and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 31 August 2020 was as follows:

- Women on the Board – 0%
- Women in senior executive positions – 20%
- Women across the entire organisation – 25%



Senior Executives are defined as roles supporting the Executive Chairman with running the business and delivering on strategic objectives.

The Board has set the following diversity objectives:

- To cultivate an inclusive workplace of fairness and equality which fosters the unique skills and talents of a diverse range of people; and
- To encourage diversity in skill set, experience, qualifications and age of our workforce. With a diverse mix of professionals, we will continue to encourage diversity in hiring and sourcing of candidates.

#### **Recommendation 1.6: Board Performance Assessment**

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) and individual Directors, as well as the governance processes supporting the Board. The Board does this through an annual assessment process.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretaries;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

The Board is currently in the process of completing its annual performance assessment for FY20. An analysis of the data will be collated with results discussed in due course.

#### **Recommendation 1.7: Senior Executive Performance Assessment**

Senior Executives are appointed by the Board and their Key Performance Indicators (**KPI's**) contain specific financial and non-financial objectives.

KPI's are reviewed annually. The performance of each Senior Executive against these objectives is evaluated annually (where applicable).

The Company is currently in the process of completing its annual performance evaluations for FY20. The results of this evaluation process will be discussed in due course.

### **PRINCIPLE 2 – BOARD STRUCTURE**

#### **Recommendation 2.1: Nomination Committee**

Due to the current size of the Company and Board, the Board fulfils the roles and responsibilities in relation to nomination. The duties of the Board in relation to nomination are the same that would otherwise be fulfilled by a Nomination Committee to address any issues and continuously review the range of skills, knowledge, experience, independence and diversity to ensure that the Board can discharge its duties and responsibilities effectively.

Section C of the Company's Corporate Governance Charter provides further detail in relation to the Boards responsibility in nomination and remuneration functions, which is located on the Company's website at the following link <http://www.3doil.com.au/about/corporate-governance>.



### **Recommendation 2.2: Board Skills Matrix**

Our objective is to have an appropriate mix of expertise and experience on our Board so that it can effectively discharge its corporate governance and oversight responsibilities. It is the Board's view that the current directors possess an appropriate mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives, which include, oil and gas industry experience, technical, financial and commercial experience. This mix is subject to review on a regular basis as part of the Board's performance review process.

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Full details of each Directors' relevant skills and experience are set out in the 2020 Directors' Report.

### **Recommendation 2.3: Independent Directors**

An independent director is a non-executive director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the director's terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board has two independent directors, Mr Leo De Maria (Non-Executive Director) and Mr Ian Tchacos (Non-Executive Director).

Mr Noel Newell is not considered to be independent on the basis that he is engaged in an executive management role with the Company and is a substantial shareholder.

The Board considers the Non-Executive Directors, Mr Leo De Maria and Mr Ian Tchacos are independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Board has considered the holdings of shares in the Company by these Non-Executive directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board also considers that they are otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and that each of these Directors is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

The Board's assessment of each current Director is set out below.

<b>Name</b>	<b>Position</b>	<b>Appointment date</b>	<b>Status</b>
Noel Newell	Executive Chairman	18 July 2003	Non-Independent
Leo De Maria	Non-Executive Director	1 October 2014	Independent
Ian Tchacos	Non-Executive Director	14 October 2016	Independent



#### **Recommendation 2.4: Majority Independence**

As at the date of this Statement, two of our three Directors are deemed independent and the Company does have a majority of independent directors.

Further information regarding our Directors, including their experience and qualifications, is set out in the Directors' Report of our 2020 Annual Report.

#### **Recommendation 2.5: Board Chair**

The Chair, Noel Newell is not currently considered to be an independent Director. The Chair provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter. His role is set out in more detail in the Board Charter contained within the Corporate Governance Charter, which is available on our website at: <http://www.3doil.com.au/about/corporate-governance>

The roles of Chair and Managing Director are not currently exercised by different individuals. Noel Newell is Executive Chairman and Managing Director.

The Board recognises that the role of Chair should be fulfilled by an independent Director and that it is desirable for the role of Chair and Managing Director to be exercised by different individuals, however the Company's current size dictates that this is the most efficient mode of operation at the current time.

The current Board composition reflects an appropriate balance of skills, expertise and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders. The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

The Board will consider the Recommendations in assessing any future changes in board composition.

#### **Recommendation 2.6: Induction, Education and Training**

New Directors are provided with copies of all relevant documents and policies governing the Company's business, operations and management, at the time of joining the Board. All Directors are provided with ongoing professional development and training opportunities to enable them to develop and maintain their skills and knowledge.

Directors are also encouraged to personally undertake appropriate training and refresher courses as appropriate to maintain the skills required to discharge their obligations to the Company.

### **PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY**

#### **Recommendation 3.1: Code of Conduct**

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Corporate Code of Conduct designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and



- make Directors' and employees aware of the consequences if they breach the Corporate Code of Conduct.

The Corporate Code of Conduct contained within the Corporate Governance Charter, is available on our website at <http://www.3doil.com.au/about/corporate-governance>

The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures; and
- act in an appropriate business-like manner when representing the Company in public forums.

The Corporate Code of Conduct sets out the Company's policies on various matters including ethical conduct, business conduct, compliance, privacy and security of information.

#### **PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

##### **Recommendation 4.1: Audit Committee**

The Company has established an Audit Committee which consists of two members who are both Non-Executive Directors. The members are Mr Leo De Maria, and Mr Ian Tchacos. The Audit Committee is chaired by Mr Leo De Maria and he is an independent Non-Executive Director.

Due to the current size of the Company and Board, the Board fulfils the roles and responsibilities in relation to audit. The duties of the Board in relation to audit are the same that would otherwise be fulfilled by an Audit Committee, including overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, 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.

The Audit and Risk Committee Charter, contained within the Corporate Governance Charter is available on the Company's website at <http://www.3doil.com.au/about/corporate-governance>.

##### **Recommendation 4.2: Assurances**

The Executive Chairman and Company Secretary provide an annual declaration to the Board prior to the Board's approval of the Company's full year financial results. This process was followed for the 2020 full year financial results, where the Executive Chairman and Company Secretary provided a declaration to the Board that, in their opinion, the financial records 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 Group, and their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. On this basis, the 2020 full year financial results were approved by the Board.



### **Recommendation 4.3: External Auditor**

Our external auditor is Grant Thornton (GT). GT attends our AGM and a representative is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

GT's independence declaration is contained in the Directors' Report in our 2020 Annual Report.

The effectiveness, performance and independence of the external auditor is reviewed annually by the Board.

Any periodic corporate report the Company releases to the market that is not audited or reviewed by an external auditor is reviewed and approved by the Board so that it is satisfied the report in question is materially correct, balanced and provides investors with appropriate information to make an informed investment decision. Following review by the Board of Directors the report is formally approved prior to release.

## **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

### **Recommendation 5.1: Continuous Disclosure Policy**

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

To comply with these obligations, the Board has adopted a Continuous Disclosure Policy contained within the Corporate Governance Charter which is available on our website at <http://www.3doil.com.au/about/corporate-governance>.

The Board has overarching responsibility for compliance with continuous disclosure obligations.

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market and in compliance with our Securities Trading Policy (as applicable). In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

## **PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS**

### **Recommendation 6.1: Information and Governance**

Information about the Company and its corporate governance policies is available on our website at <http://www.3doil.com.au/about/corporate-governance>.

The Company also maintains a separate investor page on our website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

### **Recommendation 6.2: Investor Relations**

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions.



Through its shareholder communications, we aim to provide information that will allow existing shareholders, potential shareholders and financial analysts to make informed decisions about the Group's intrinsic value and meet its obligations under the ASX's continuous disclosure regime.

Our investor relations program includes:

- issuing regular written shareholder communications such as quarterly financial reporting and an Annual Report to address the Company's strategy and performance;
- sending and receiving shareholder communications electronically;
- maintaining the Board and corporate governance and investor sections on our website including posting all announcements after they have been disclosed to the market;
- promoting two-way interaction with shareholders, by supporting shareholder participation at general meetings including encouraging shareholders to send their questions to the Company prior to the annual general meeting and responding to their questions and feedback; and
- ensuring that continuous disclosure obligations are understood and complied with throughout the Group.

#### **Recommendation 6.3: Shareholder Meeting Participation**

Shareholders are provided with the Company's Annual Report, if requested (it is otherwise made available on the Company's website), and documents relating to each general meeting, being the notice of meeting, any explanatory memorandum and a proxy form and shareholders are invited to attend these meetings.

The Board regards each general meeting as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and if applicable our external auditor.

#### **Recommendation 6.4: Electronic Communication with Shareholders**

Shareholders are encouraged to take advantage of the benefits of electronic communications by electing to receive communication from the Company and its share registry, Computershare, electronically.

Shareholders queries should be referred to the Company Secretary at first instance.

### **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

#### **Recommendation 7.1: Risk Committee**

The Company has previously established an Audit and Risk Committee, however due to the current size of the Company and its Board, the Board carries out the duties that would ordinarily be carried out by the Risk Committee including the Board devoting time at all Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

The Audit and Risk Committee Charter, contained within the Corporate Governance Charter is available on the Company's website at <http://www.3doil.com.au/about/corporate-governance>.

### **Recommendation 7.2: Risk Management Framework**

The Board is responsible for approving and reviewing the Company's risk management strategy. Management is responsible for ensuring appropriate processes and controls are in place to effectively and efficiently manage risk.

The Company regularly undertakes reviews of its risk management framework to establish an effective and efficient system for:

- (i) identifying, assessing, monitoring and managing risk; and
- (ii) disclosing any material change to the Company's risk profile.

The Board continually monitors the Company's risk management framework.

### **Recommendation 7.3: Internal Audit**

The Company did not have an internal audit function for the past financial year. Due to the size of the Company, the Board does not consider it necessary to have an internal audit function.

The Company will employ the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- (i) the Board will monitor the need for an internal audit function having regard to the size, location and complexity of the Company's operations; and

the Board will periodically undertake an internal review of financial systems and processes where systems are considered to require improvement these systems are developed.

### **Recommendation 7.4: Economic, Environmental and Social Sustainability Risk**

The Board does not believe the Company has any material exposure to economic and social sustainability risks at the present time.

The Company is subject to a range of general economic risks, including macro-economic risks, government policy, general business conditions, changes in technology and many other factors.

The Company details the environmental risks in the Directors Report in the 2020 Annual Report.

## **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBILITY**

### **Recommendation 8.1: Remuneration Committee**

Due to the current size of the Company and Board, the Board currently fulfils the roles and responsibilities in relation to remuneration. The duties of the Board in relation to remuneration are the same that would otherwise be fulfilled by a Remuneration Committee to address any issues and continuously review the range of skills, knowledge, experience, independence and diversity to ensure that the Board can discharge its duties and responsibilities effectively.

Section C of the Company's Corporate Governance Charter provides further detail in relation to the Boards responsibility in nomination and remuneration functions, which is located on the Company's website at the



following link <http://www.3doil.com.au/about/corporate-governance>.

**Recommendation 8.2: Remuneration Policies and Practices**

Details of the Company's remuneration practices for its Directors and senior executives are disclosed in the Remuneration Report in the Company's Annual Report.

Separate disclosure regarding the remuneration of the Company's directors (executive and non-executive) is disclosed in the Company's 2020 Annual report, as lodged with the ASX and issued to shareholders.

**Recommendation 8.3: Equity Based Remuneration Scheme**

The Company had an equity-based remuneration scheme during the past financial year. The Company's Securities Trading Policy prohibits Key Management Personnel from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in equity-based remuneration or in unvested entitlements.