

MAGNUM GAS & POWER LIMITED

ACN 107 708 305

CORPORATE GOVERNANCE STATEMENT

Approved by the Board and dated 30 September 2016

The Company has adopted the 3rd Edition of the Recommendations and guidelines as promulgated by the ASX Corporate Governance Council. This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

ROLE OF THE BOARD OF DIRECTORS (THE "BOARD")

The Directors' are responsible for the direction and supervision of the Company's business and for its overall corporate governance. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors' recognise the need to maintain the highest standards of behaviour, ethics and accountability. During the year responsibility for the management of the day-to-day operations and administration is delegated to the Managing Director and responsibility for corporate actions is delegated to the Managing Director and Company Secretary.

The primary functions of the Board include:

- Formulating and approving objectives, strategies and long-term plans for the Company's continued development and operation;
- Monitoring the implementation of these objectives, strategies and long-term plans to ensure the Company, to the best of its ability, delivers shareholder value;
- Approval of capital expenditure;
- Monitoring the Company's overall performance and financial results, including adopting annual budgets and approving the Company's financial statements;
- The management of the treasury function of the Company and approving capital management decisions;
- Ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- Selecting and reviewing the performance of the Managing Director;
- Ensuring significant business risks are identified and appropriately managed;
- Ensuring that the Company meets the statutory, regulatory and reporting requirements of the ASX and requirements under the Corporations Act; and
- Reporting to shareholders on performance.

The Board currently consists of a Non-Executive Chairman, Managing Director and two Non-Executive Directors. The term of Directors' appointments is governed by the Company's Constitution. At least one third in number of the Directors, other than a Managing Director, must retire and seek re-election at each Annual General Meeting of the Company. In addition, all Directors appointed to the Board during the year must stand for election at the next Annual General Meeting of the Company.

From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues. In this regard, the Board has established an Audit Committee, a Remuneration and Nomination Committee and a Safety and Environment Committee.

COMPOSITION OF THE BOARD

The Directors of the Company in office at the date of this statement and details of their skills and experience are detailed in the Directors' Report.

The composition of the Board is determined in accordance with the constitution.

There are four members of the Board of Directors with a majority of Non-Executive Directors, however only one Director, Mr N Featherby is considered an Independent Director, according to the definitions by the Australian Securities Exchange Corporate Governance Council ("Council").

The Board should comprise Directors with a broad range of expertise both nationally and internationally.

Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period for service of a Director.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake Board duties and responsibilities.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense. However, prior approval of the Chairman is required.

All Directors are able to access members of the management team at any time to request information on the activities of the Company.

BOARD PERFORMANCE

The Chairman evaluates the performance of each director, and the Board evaluates the performance of the Chairman. Performance of senior executives is evaluated by the Managing Director in cooperation with the Chairman. All performance evaluations are measured against budget, goals and objectives set.

AUDIT COMMITTEE

The Audit Committee consists of, Mr Nathan Featherby (Chair), Mr R Wheeler, Mr T Fontaine and Ms B Nichols. Audit Committee Meetings are held twice during the year in conjunction with Board's meetings to discuss the half and full year audit work and findings. The roles and responsibilities of the Audit Committee are to:

- Assess the appropriateness of accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- Ensure that the appropriate accounting policies and procedures are implemented;
- Review the scope and results of external and compliance audits and the adequacy and quality of the audits;
- Maintain open lines of communication between the Board and external auditors;
- Review and report to the Board on proposed annual reports and financial statements, and the half-yearly financial reports;
- Assess the adequacy of the Company's internal controls and whether they are of a sufficiently high standard to provide timely and accurate information for the proper management of the business;
- Make informed decisions regarding compliance policies, practices and disclosures;
- Assist in monitoring and controlling the financial aspects of the Company's business risks; and
- Nominate the external auditors.

The audit committee has unrestricted access to management.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee comprises Mr T Fontaine, Mr N Featherby and Mr R Wheeler. The responsibilities of this committee include:

- Advising the Board in relation to the terms and conditions of remuneration for Directors and the Managing Director;
- Reviewing the composition of the Board to ensure it comprises an appropriate mix of skills and experience and, if appropriate, proposing suitable nominees as Directors to the Board; and
- Advising the Board as to general employment policies.

The Committee will assess the performance and recommend the remuneration of the Managing Director.

SAFETY AND ENVIRONMENT COMMITTEE

The Safety and Environment Committee comprises Mr T Fontaine, Mr T Wheeler and Mr R Wheeler. The Committee ensures that the Company follows best practice in this important area.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon appropriate procedures, policies and guidelines, having regard to the size of the Company and its activities.

CODE OF ETHICS

The Company recognises the need for every Director, officer, employee, agent, sub-contractor and consultant of the Company to observe the highest standards of behaviour and business ethics. All are expected to act in accordance with the law and with the highest standard of propriety. The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how Directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

DISCLOSURE OF INFORMATION

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.

THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the group during the year, changes in the state of affairs of the group and details of future development, in addition to the other disclosures required by the *Corporations Act 2001*.

Half-year financial reports, prepared in accordance with the requirements of Accounting Standards and the *Corporations Act 2001*, are lodged with the Australian Securities and Investment Commission and the Australian Securities Exchange. The half-year financial reports are sent to any shareholder who requests them and quarterly reports are submitted to the Australian Securities Exchange under the requirements of the ASX relating to mining companies.

ROLE OF AUDITOR

The *Corporations Act 2001* requires the auditor to attend the Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK MANAGEMENT

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the Managing Director who has ultimate responsibility to the Board for the risk management and control framework of the Group.

INTEGRITY OF FINANCIAL REPORTING

The Company's Managing Director and Company Secretary who is acting as Chief Financial Officer have reported in writing to the Board that:

- The consolidated financial statements of the Company and its entities for the half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

REMUNERATION ARRANGEMENTS

The Board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities. The Board believes that the best way to achieve this is to provide executives or consultants with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders of \$160,000.

Information on the Remuneration & Nomination committee is contained in a separate heading within this Corporate Governance Statement.

INTERESTS OF OTHER STAKEHOLDERS

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

The table below summarises the status of the Company's compliance with each of the recommendations contained in the 3rd Edition of the ASX Principles and Recommendations, and discloses reasons for non-compliance where necessary.

ASX Principles and Recommendations	Status
1	Lay solid foundations for management and oversight
1.1	<p>Companies should establish and disclose the respective roles and responsibilities of Board and management and those matters expressly reserved to the Board and those delegated to Management.</p> <p>Compliant. The role of the Board, delegations of authority, and powers of the Board have been formalised in the Board Charter, and have been disclosed on the Company website and in the Corporate Governance Statement.</p>
1.2	<p>A listed entity should:</p> <ul style="list-style-type: none"> • Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. • 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>Compliant. The Board will ensure that prior to appointing a director or recommending a new candidate for election as a director that appropriate checks are undertaken as to the persons character, experience, education, criminal record and bankruptcy history. Security holders will be provided with all relevant information in the Board's possession, relevant to a decision on whether or not to elect or re-elect a Director.</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment</p> <p>Non-Compliant. The Company currently does not have a written agreement with each Director setting out the terms of their appointment.</p>
1.4	<p>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> <p>Compliant. The Company Secretary is accountable to the Board, through the Chair, 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"> • 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 • Disclose that policy or a summary of it • Disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board, and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including a definition of 'senior executive') <p>Non-Compliant. Whilst the Board has not implemented a formal Diversity Policy due to the size of the Company it believes that promotion of diversity in senior management and within the Company is generally good practice. The Board has not set measurable objectives for achieving gender diversity at this time. The Company has no female employees or members of the Board. As the Company increases in size the Board will review its practices and implement formal diversity policies as appropriate to its activities.</p>
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> • Have and disclose a process for periodically evaluating the performance of <p>Non-Compliant. The Company does not have a formal process for the evaluation of the performance of the Board and as such</p>

	<p>the Board, its committees and individual directors</p> <ul style="list-style-type: none"> • Disclose in relation to each reporting period whether a performance evaluation was undertaken in the reporting period in accordance with that process 	<p>does not comply with Recommendation 1.6 of the Corporate Governance Council. The Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.</p>
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> • Have and disclose a process for periodically evaluating the performance of its senior executives • 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 does not have a formal process for the evaluation of the performance of the senior executives. The Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.</p>
2	<p>Structure the Board to add value</p>	
2.1	<p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> • Have a nomination committee which has at least 3 members (majority independent), be chaired by an independent director, disclose the committee charter, disclose the committee members, and disclose at the end of each reporting period the number of times the committee met during the reporting period and individuals attendance • 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 	<p>Non-Compliant.</p> <p>The Board has considered the need for a nomination committee, and believes that the Company is not of a size to justify the establishment of a separate committee.</p> <p>At this stage it is believed more appropriate for such responsibilities to be met by the full Board rather than a separate committee.</p>
2.2	<p>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</p>	<p>Non-Compliant.</p> <p>The Company has not prepared a formal skills matrix for the Board.</p> <p>However, the Board believe that the skills of the current Board are sufficient for the Company in its present stage of development.</p> <p>The Company will consider reviewing the Board composition in response to any actual or proposed changes in the Company's activities or operations.</p>
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> • The names of the directors considered by the Board to be independent directors • If a director has an interest, position, association or relationship of the type described in Box 23 (independence guidelines) but the Board is of the opinion that it does not compromise the independence of the director, the nature of the relationship and an explanation of why the Board is of that opinion • The length of service of each director 	<p>Compliant.</p> <p>Refer disclosure in the Company's Annual Report and in the Corporate Governance Statement.</p>
2.4	<p>A majority of the Board of a listed entity should be</p>	<p>Non-Compliant.</p>

	independent directors	The Board currently comprises 4 directors, of whom only one is independent. However the Board believes that its composition is appropriate at the current time.
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	Non-Compliant. The Company's Chairman, Mr. Thomas Fontaine, is a substantial shareholder. As a result he is not considered independent in accordance with the ASX Principles and Recommendations.
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 roles as directors effectively	Non-Compliant. The Company does not have a formal program, however, it does provide new directors with access to professional development if required and it does provide an appointment letter which describes the expectations and responsibilities that will come with the role.
3	Act ethically and responsibly	
3.1	A listed entity should: <ul style="list-style-type: none"> • Have a code of conduct for its directors, senior executives and employees, and • Disclose that code or a summary of it 	Compliant. The Company has a Code of Conduct for its directors, senior executives and employees. The Code of Conduct can be found on its website.
4	Safeguard integrity in corporate reporting	
4.1	The Board of a listed entity should: <ul style="list-style-type: none"> • Have an audit committee which has at least 3 members (all of whom are non-executive directors and a majority independent), be chaired by an independent director who is not Chair of the Board, disclose the committee charter, the relevant qualifications and experience of the members of the committee, and disclose at the end of each reporting period the number of times the committee met during the reporting period and individuals attending • 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 	Non-Compliant. The committee comprised of three Non-Executive Directors and the Company Secretary, the committee was chaired by Non-Executive Director Mr Nathan Featherby. The Board considers that given the number and make-up of the Board itself during the financial year that an Audit Committee of such a composition is appropriate. The audit committee does not have a formal charter however its roles and responsibilities are outlined above, along with its composition, and structure. Minutes of meetings are kept within the Board's minutes. There is also no formal reporting mechanism between the Audit Committee and Board due to the duplication of membership and the detailed report tabled by the auditor who attends the Board meeting by invitation.
4.2	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	Compliant. The Board receives a declaration from the Executive Chairman and Company Secretary before approving the financial statements.
4.3	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	Compliant. The Company ensures that the engagement audit partner, or their representative, attends the AGM. The Company will enable security holders to ask questions relevant to the audit at, or ahead of, its AGM.
5	Make timely and balanced disclosure	

5.1	A listed entity should: <ul style="list-style-type: none"> • Have a written policy for complying with its continuous disclosure obligations and the listing rules, and • Disclose that policy or a summary of it 	Compliant. The Company's policies and procedures for compliance with the ASX Listing Rule disclosure requirements are included in the Company's Continuous Disclosure Policy and Procedure document on the Company website.
6	Respect the rights of security holders	
6.1	A listed entity should provide information about itself and its governance to investors via its website	Compliant. The Company provided information about itself and its governance to investors via its website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors	Non-Compliant. The Company does not have an investor relations program in place.
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	Non-Compliant. The Company does not have a formal policy in place, however it does encourage shareholder participation at all general meetings.
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	Compliant. The Company encourages electronic communications, refer the Shareholder Communications Policy on the Company's website.
7	Recognise and manage risk	
7.1	The Board of a listed entity should: <ul style="list-style-type: none"> • Have a committee, or committees, to oversee risk, each of which has at least 3 members (majority independent), be chaired by an independent director, disclose the committee charter, disclose the committee members, and disclose at the end of each reporting period the number of times the committee met during the reporting period and individuals attendance • If it does not have a risk committee, or committees that satisfy the above requirements, disclose that fact and the processes it employs for overseeing the entity's risk management framework 	Non-Compliant. The Company does not have a separate risk committee. However it has formed a Safety and Environment Committee which is fully engaged when drilling and associated operations are taking place. The Board is responsible to managing material business risks and is very mindful of the operating risks in country. To the extent the Company's operations develop the Board will review the policies for risk management.
7.2	The Board, or committee, of the Board should: <ul style="list-style-type: none"> • Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and • Disclose in relation to each reporting period whether such a review has taken place 	Non-Compliant. The Board has not undertaken a formal review of material business risks in the current financial year.
7.3	A listed entity should disclose: <ul style="list-style-type: none"> • If it has an internal audit function, how the function is structured and what role it performs, or • 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 	Compliant. The Company does not have an internal audit function. The Board oversees risk management and is moving to establish an appropriate strategy and framework. The processes adopted to date have been appropriate for the Company's size.
7.4	A listed entity should disclose whether it has any material exposure and social sustainability risks, and if it does, how it manages or intends to manage those risks	Non-Compliant. Policies on risk oversight and management have not been implemented. The Board is of the view that once full field operations are re commenced the potential for material exposure to social sustainability risks will increase.

8	<p>Remunerate fairly and responsibly Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear</p>	
8.1	<p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> • Have a remuneration committee which has at least 3 members (majority independent), be chaired by an independent director, disclose the committee charter, disclose the committee members, and disclose at the end of each reporting period the number of times the committee met during the reporting period and individuals attendance • 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>Non-Compliant. The Company does not have a separate Remuneration Committee.</p> <p>The Board has considered the need for a remuneration committee, and believes that the Company is not of a size to justify the establishment of a separate committee.</p> <p>The responsibilities in this area are being met by the full Board.</p>
8.2	<p>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>	<p>Compliant. The Company's remuneration report, which is published in the Annual Report, provides information regarding remuneration policy and also sets out the specific remuneration of directors and other senior executives.</p>
8.3	<p>A listed entity which has an equity based remuneration scheme should:</p> <ul style="list-style-type: none"> • 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 and participation in the scheme, and • Disclose that policy or a summary of it 	<p>Compliant. The Company does not have an Equity based remuneration scheme, however it specifically prohibits directors and executives of the Company from entering into arrangements for the purpose of limiting the economic risk of any securities which are held. Refer to the Company Securities Trading Policy available on the website.</p>