

# Corporate Governance

## Statement

Wasabi Energy Limited (“Company”) continues to work towards implementing systems of control and accountability as the basis for the administration of corporate governance. This Corporate Governance Statement sets out the company’s current compliance with the Australian Stock Exchange (“ASX”) Corporate Governance Council’s Principles and Recommendations, 2nd edition (“Recommendations”). The Company is currently considering, implementing or has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, and is taking into account factors such as the size of the company and the Board, resources available and activities of the company. The board has resolved to establish a corporate governance committee in order to implement and review on an ongoing basis the development of the company’s corporate governance systems.

## Recommendations

### 1. Lay solid foundations for management and oversight

#### 1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The company refers all major investment decisions to the Board for consideration and approval. Day to day operations of the Company are the responsibility of the Executive Directors.

**1.2 Companies should disclose the process for evaluating the performance of senior executives.** The performance of key executives is reviewed regularly by reference to ongoing performance of the company and its investments. The Board have resolved to form a Remuneration Committee who will perform this review going forward. At present terms of reference for this committee are not yet finalised.

### 2. Structure the Board to add value

#### 2.1 A majority of the Board should be independent directors.

Directors of Wasabi Energy Limited are considered to be independent when they are independent 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 exercise of their unfettered and independent judgement.

In the context of director independence, ‘materiality’ is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company’s loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Wasabi Energy Limited are considered to be independent:

Name	Position
Robert Reynolds	Non-Executive Director
Robert Vallender	Non-Executive Director

The company’s Board comprises 5 directors. Therefore, there is not a majority of independent directors on the Board; however the directors consider that the balance of independent and non-independent directors is appropriate given the size of the Board and the company.

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There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

**2.2 The chair should be an independent director.** The Chairman, John Byrne, is not considered as an independent director. Due to the size of the company and the board this is deemed acceptable to the directors of the company. Should the company increase in size then the company will consider, and if thought appropriate, appoint an independent director as chairman.

**2.3 The roles of chair and Chief Executive Officer should not be exercised by the same individual.** The chair and the Chief Executive Officer are both considered to be John Byrne. Due to the size of the company and the board this is deemed acceptable to the directors of the company. Should the company increase in size then the company will consider, and if thought appropriate, appoint a separate person to the role of Chief Executive Officer. The company has two other executive directors, Mr Stephen Morris and Dr. Malcolm Jacques, who assist the chairman in the management of the company.

**2.4 The Board should establish a nomination committee.** There is no specific nomination committee. Currently all members of the Board are part of this process to ensure the Board continues to operate within the established guidelines including when necessary, selecting candidates for the position of director. When a vacancy occurs, through whatever cause, or where it is considered that the company would benefit from the skills of an additional Director with particular skills, the Board will consider candidates with the appropriate expertise and experience. The directors consider that this is appropriate given the size of the Board and the company.

**2.5 Companies should disclose the process for evaluating the performance of the Board.** The performance of the Board is not currently

reviewed annually. This performance is reviewed on an ad hoc basis by the board and directors are assessed based on the financial and non-financial objectives and results of the company. Directors whose performance is consistently unsatisfactory may be asked to retire. During the reporting period, the Board did not meet to specifically evaluate the performance of Board members, which was considered appropriate given the given the size of the Board and the company.

**2.6 Companies should provide the information indicated in 'Guide to Reporting on Principle 2'.** All of the information identified in the 'Guide to Reporting on Principle 2' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report. The skills, expertise and experience of directors relevant to their positions and their term in office are disclosed in the Directors' Report. The company's corporate governance policy, including the charters for its various Board committees, are available on the company's website.

## 3. Promote ethical and responsible decision-making

**3.1 Establish a code of conduct and disclose the code or a summary of the code as to:**

- (a) the practices necessary to maintain confidence in the company's integrity;
- (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The company has not yet established a formal written code of conduct. The board is currently reviewing this aspect of the corporate governance guidelines and will establish an appropriate code of conduct relative to the size

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of the company. Currently each of the directors is aware of the investment and corporate objectives of the company and is conscious of the expectations of the shareholders, investee companies and their stakeholders. Any activities of the company are undertaken in consideration of all legal and regulatory requirements as well as with consideration of the underlying value of the activity to shareholders and other stakeholders. The Company Secretary is primarily tasked with maintaining a high level of compliance on all aspects of the business and has the support of the board to achieve this outcome.

**3.2 Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.** The Board has a policy and procedure on dealing in the company's securities by directors, officers and employees which prohibits dealing in the company's securities when those persons possess inside information. It also provides that the acknowledgement of the chairperson and/or company secretary should be obtained prior to trading and that they have been advised by the chairperson or company secretary that there is no reason to preclude trading, for example during specific sensitive time periods. A summary of this policy is disclosed on the company's website.

**3.3 Companies should provide the information indicated in 'Guide to Reporting on Principle 3'.** The code of conduct policy and a summary of the company's securities trading policy is set out above and is available on the company's website.

## 4. Safeguard integrity in financial reporting

**4.1 The Board should establish an audit committee.** The Board has established an audit committee which operates under a charter approved by the Board. It is the audit committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal

with 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 operations key performance indicators. The Committee will also provide the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

### 4.2 The audit committee should be structured so that it:

- (a) consists of only non-executive directors;
- (b) consists of a majority of independent directors;
- (c) is chaired by an independent chair who is not chair of the Board; and
- (d) has at least three members.

The audit committee was appointed on 9 July 2009 and comprises:

Name	Qualifications
John Byrne	Nil
Robert Reynolds (Chairman)	Master Eng (Mining)

In accordance with the definition of independence described in Recommendation 2.1 above, and the materiality thresholds set, Robert Reynolds is considered to be independent and is a non-executive director. John Byrne is not considered independent and is an executive director.

The committee is currently chaired by Mr Robert Reynolds who is not chair of the Board.

The committee has two members, only one of which is independent, which is less than the recommended minimum of three and a majority of independent directors, but given the size and nature of the Board, the directors consider that this is appropriate.

**4.3 The audit committee should have a formal charter.** The committee has a formal charter which is disclosed on the company's website.

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**4.4 Companies should provide the information indicated in 'Guide to Reporting on Principle 4'.** The information identified in the 'Guide to Reporting on Principle 4' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.

## 5. Make timely and balanced disclosure

**5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.** The company has made the directors and the senior management of its subsidiaries and associates aware of the requirement for continuous and periodic disclosure to ensure the factual presentation of the company's financial position and market-sensitive information is maintained in an orderly and timely fashion. At present the company does not have a written policy due to the size of the company and the limited number of people and activities of the company. The board consider this is appropriate for the size of the company however it is currently reviewing its policies in regard to this Recommendation.

**5.2 Companies should provide the information indicated in 'Guide to Reporting on Principle 5'.** A summary of the company's continuous disclosure policy is set out above and if appropriate will be disclosed on the company's website.

## 6. Respect the rights of shareholders

**6.1 Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.** The company has a shareholders communication policy which aims to ensure that the shareholders are informed of all major developments affecting the

company. All shareholders are able to receive the company's annual report. The company also encourages full participation of shareholders at its annual general meeting and at extraordinary general meetings when called. The company makes available a telephone and email address for shareholders to make enquiries of the company.

**6.2 Companies should provide the information indicated in 'Guide to Reporting on Principle 6'.** The company maintains a website on which it makes available: company announcements; shareholder meeting notices and explanatory materials; financial information and annual reports. The company is currently reviewing its website and where necessary will enhance the information available on that site.

## 7. Recognise and manage risk

**7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.** The identification and effective management of risk is viewed as an essential part of the company's approach to creating long-term shareholder value. In recognition of this, the Board has determined to form a Risk Committee to better determine the company's risk profile and this committee will be responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. This process is ongoing and will continue to be a focus of the committee and the board.

**7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.** The company will be establishing a risk management policy within which will be set out a framework for a system of risk management and internal compliance and control. Senior management as required will have responsibility for identifying,

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assessing, treating and monitoring risks and reporting to the Board on these risks and the extent to which it believes they are being adequately managed.

**7.3 The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.** The Board has received a declaration from the Company Secretary, being an officer with primary responsibility as defined by section 295 of the Corporations Act, assuring that the declaration provided in accordance with section 295 of the Corporations Act is founded on a sound system of risk management and internal control and that the system, to the extent that they relate to financial reporting, is operating effectively in all material respects.

**7.4 Companies should provide the information indicated in 'Guide to Reporting on Principle 7'.** A summary of the company's risk management policy is disclosed on the company's website.

## 8. Remunerate fairly and responsibly

**8.1 The Board should establish a remuneration committee.** The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive officers and executive team. The Board has resolved to establish a remuneration committee, which will comprise of the chairman and two non-executive directors. The remuneration committee has not yet met. The terms of reference have not yet been adopted for the remuneration committee but these will include review and recommendation to the board on the company's remuneration, recruitment and termination for senior executives, review of

executives' performance and a framework for directors' compensation.

### **8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives.**

The Directors are paid \$25,000 per annum (plus superannuation at 9%). Executive directors receive additional remuneration as set out in the 'Remuneration Report (audited)' section of the Directors Report. Further information regarding the executive and non-executive remuneration framework and payments is detailed in the 'Remuneration Report (audited)' section of the Directors Report.

### **8.3 Companies should provide the information indicated in 'Guide to Reporting on Principle 8'.**

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The remuneration committee will be established a formal charter which will be disclosed on the company's website. The company has not yet adopted a formal policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. All of the other information identified in the 'Guide to Reporting on Principle 8' has been satisfied either in the Corporate Governance Statement or the Directors' Report in the Annual Report.