

## Corporate Governance Statement 2018

This statement has been approved by the Board. It is current as at 28 September 2018.

### Black Star's approach to Corporate Governance

This Statement addresses how Black Star implements the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3<sup>rd</sup> Edition (referred to as either ASX Principles or Recommendations).

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

**Recommendation 1.1** – *A listed entity should disclose:*

- a) *the respective roles and responsibilities of its board and management;*
- b) *those matters expressly reserved to the board and those delegated to management.*

#### Role of the Black Star Board ("the Board")

The Board is responsible for the governance of Black Star. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from Black Star's Constitution.

The Board's responsibilities are set out in a formal Charter.

The major powers the Board has reserved to itself are:

- Appointment of the Chief Executive Officer and other senior executives and the determination of 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;
- 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 (subject to compliance with ASX Listing Rules);
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules); and
- Meeting with the external auditor, at their request, without management being present.

#### Delegation to the CEO

The Board delegates to the CEO responsibility for implementing Black Star's strategic direction and for managing Black Star's day-to-day operations.

**Recommendation 1.2** – *A listed entity should:*

- a) *undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director;*
- 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.*

The Group does not have a Nomination Committee. The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.

When considering the appointment of a new Director, the Board may engage the services of an executive recruitment firm to assist identify suitable candidates to be shortlisted for consideration for appointment to the Board and to carry out appropriate reference checks before the Board makes an offer to a preferred candidate.

Newly appointed directors must stand for reappointment at the next subsequent AGM. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details of relevant skills and experience.

**Recommendation 1.3** – *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

New Directors consent to act as a Director and receive a formal letter of appointment which sets out duties and responsibilities, rights, and remuneration entitlements. Senior executives will have a contract of employment setting out the terms of their employment. At present the Company does not employ any executives.

**Recommendation 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.*

The Company Secretary has a direct line of communication with the Chairman and all Directors, and is responsible for advising the Board and committees on governance matters, monitoring Board and Committee policy and procedure adherence and supporting the proper functioning of the Board.

**Recommendation 1.5** – *A listed entity should:*

- 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:*
  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.*

The Group has not disclosed its policy concerning diversity, its measurable objectives for achieving gender diversity and its progress towards achieving those objectives. The Board continues to monitor diversity across the organization however due to the size of the Group, the Board does not consider it appropriate at this time to formally set measurable objectives for gender diversity.

The Group is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Group performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees.

In accordance with this policy, the Board discloses there were no women employed in the organisation or on the Board of the Group as at the date of this report.

**Recommendation 1.6** – *A listed entity should:*

- 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.*

Given the size of the Company, formal procedures for evaluating the performance of the board, committees and individual directors have not been developed. The Company conducts these aspects on an ongoing basis and takes corrective action if required. During the reporting period, a performance evaluation of the Board was not undertaken.

**Recommendation 1.7** – *A listed entity should:*

- 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.*

A performance evaluation was not under taken of senior executives as no senior executives are presently employed.

### Principle 2: Structure the Board to add value

Black Star's Constitution provides for a minimum of three directors and a maximum of twelve.

The Directors of Black Star at any time during the financial year are listed with a brief description of their qualifications, appointment date, experience and special responsibilities in the Annual Report.

#### **Recommendation 2.1** – *The board of a listed entity should:*

- a) *have a nomination committee which:*
  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*
- 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 to discharge its duties and responsibilities effectively.*

The Group does not have a Nomination committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate nomination committee. The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board. The current board members will, when considering matters within the ambit of the Nomination Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

#### **Recommendation 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.*

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board, however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set a matrix on the mix of skills and diversity for Board membership.

#### **Recommendation 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 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.*

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Directors' Report. Directors of the Group 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.

The Board has accepted the following definition of an Independent Director:

"An Independent Director is a Director who is not a member of management, is a Non-Executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Act 2001) of the Group or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Group;
- has not within the last three years been employed in an executive capacity by the Group or another Group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Group or another Group member;
- is not a significant consultant, supplier or customer of the Group or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Group or another Group member other than as a Director of the Group;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group."

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In accordance with the definition of independence above, one of the Company's four Directors is considered independent. Accordingly, a majority of the Board is not independent. Given the size of the Group the current Board is deemed appropriate. There are procedures in place, as agreed by the Board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Group's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Mr. Nicholas Ong	2 months
Dr. Po-Tao Wei	1 month
Mr. Chin Han Tan	1 Year 4 months
Mr. Donald Jones (Independent)	1 Year 1 month

**Recommendation 2.4** – *The majority of the Board of a listed entity should be independent Directors.*

The majority of the Board does not comprise independent directors (1 of the 4 directors are independent).

**Recommendation 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.*

Under Black Star's Constitution, the Board elects a Chairman from amongst the Directors. If a Chairman ceases to be an independent Director then the Board will consider appointing a lead independent Director. Black Star's Chairman, Nicholas Ong, is not considered an independent Director. The Board believes the Chairman is able to, and does, bring expertise and independent judgement to all relevant issues falling within the scope of his role as Chairman.

In the event that there are matters to be considered where it might be determined that the Chairman might be considered challenged to remain independent there are procedures in place for an independent director to fulfill the role of Chair for the purposes of the matter being considered.

**Recommendation 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.*

New directors are given a package of relevant information concerning the Company. All Directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education.

### Principle 3: Act ethically and responsibly

**Recommendation 3.1** – *A listed entity should:*

- a) *have a code of conduct for its directors, senior executives and employees; and*
- b) *disclose that code or a summary of it.*

The Company has established a Code of Conduct that sets out the standards of behaviour expected of all its employees, directors, officers, contractors and consultants. The Code of Conduct sets out Black Star's commitment to successfully conducting its business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards and commitment to remaining a good corporate citizen.

### Principle 4: Safeguard integrity in corporate reporting

**Recommendation 4.1** – *A board of a listed entity should:*

- a) *have an audit committee which:*
  1. *has at least three members, all of whom are non-executive directors and a majority of whom are independent; 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 and the individual attendances of the members at those meetings; or*
- b) *if it does not have an audit committee, disclose that fact and the processes it*

*employs that independently verify and safeguard that 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.*

The Group does not have an Audit and Risk Management Committee. The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board. The Directors consider this as appropriate to the size and nature of operations of the Group.

### Charter of the Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Group is of sufficient size a separate Audit and Risk Management Committee will be formed.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both 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 and non-financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Group.

**Recommendation 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.*

A director of the Company and Black Star's contract Financial Officer have provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Recommendation 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.*

The external auditor attends Black Star's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to Black Star at least five business days before the day of the meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by Black Star and the independence of the auditor.

## **Principle 5: Make timely and balanced disclosure**

**Recommendation 5.1** – *A listed entity should:*

- 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.*

The Company's Continuous Disclosure Policy sets out the key obligations of the Company's Directors, officers, employees and consultants in relation to continuous disclosure as well as the Company's obligations under the Listing Rules.

## **Principle 6: Respect the rights of shareholders**

**Recommendation 6.1** – *A listed entity should provide information about itself and its governance to investors via its website.*

The Company's Corporate Governance Statement is available on the Company's website (under construction) and the ASX announcements platform.

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**Recommendation 6.2** – *A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Black Star is committed to communicating effectively with its shareholders and making it easier for shareholders to communicate with the Group.

Black Star promotes effective communication with shareholders and encourages effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the Annual Report, half yearly report and quarterly reports;
- Through the distribution of the annual report and notices of annual general meeting;
- Through shareholder meetings; and
- The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

**Recommendation 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.*

The Board encourages the attendance of Shareholders at security holder meetings and sets the time and place of each meeting to promote maximum attendance by shareholders.

At security holder meetings, the Chairman welcomes questions from investors, as well as encouraging attendees to bring forward any other matters they may wish to discuss after the business of the meeting has been conducted.

**Recommendation 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.*

Shareholders have the option of electing to receive all shareholder communications by e-mail. Black Star provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the Black Star website (under construction) and the ASX announcements platform.

All announcements made to the ASX are available to shareholders by email notification when a shareholder provides the Black Star Share Registry with an email address and elects to be notified of all Black Star ASX announcements.

Black Star's Share Register is managed and maintained by Automic Share Registry Services Pty Ltd. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number (SRN) or Holder Identification Number (HIN), via the Automic Share Registry Investor Online Login or by emailing info@automic.com.

### Principle 7: Recognise and manage risk

**Recommendation 7.1** – *A board of a listed entity should:*

- a) *have a committee or committees to oversee risk, each of which:*
  1. *has at least three members, all of whom are non-executive directors and a majority of whom are independent; 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 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*
- 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.*

The Group does not have an Audit and Risk Management Committee. The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.

Details of the structure and Charter of the Audit and Risk Management Committee are set out in Recommendation 4.1.

**Recommendation 7.2** – *The board or a committee of the board should:*

- a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- b) *disclose, in relation to each reporting period, whether such a review has taken place.*

### Risk Management Policies

Black Star has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Directors and Executive Offices' Code of Conduct
- Code of Business Conduct
- Dealing in Company Securities
- Communications Strategy
- Disclosure Policy
- Risk Management and Internal Control Policy

### Roles and responsibilities

The Risk Management Policy, and the other policies listed above, describes the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board.

The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that Black Star has a sound system of risk management and internal control that is operating effectively. The Board annually reviews and approves Black Star's main risk exposures and the mitigating actions.

**Recommendation 7.3** – *A listed entity should disclose:*

- a) *If it has an internal audit function, how the function is structured and what role it performs; or*
- 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.*

The Group does not have an established internal audit function given the size of its current operations. The risk management functions of the board are summarised under recommendations 7.1 and 7.2.

**Recommendation 7.4** – *A listed entity should disclose whether it has any material exposure to economic and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Board of Black Star informally monitors and manages the Group's exposure to economic, environment and social responsibility risks. The Board considers that the current approach that it has adopted with regard to the sustainability risk management process is appropriate to the size and nature of operations of the Group. Further disclosures are provided in the Annual Report.

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

**Recommendation 8.1** – *A board of a listed entity should:*

- a) *have a remuneration committee which:*
  1. *has at least three members, all of whom are non-executive directors and a majority of whom are independent; 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*
- 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.*

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter, however, given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Group is of sufficient size a separate Remuneration Committee will be formed.

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There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

**Recommendation 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.*

Black Star's remuneration structure distinguishes between non-executive Directors and that of a CEO. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report of the Annual Report.

**Recommendation 8.3** – *A listed entity which has an equity-based remuneration scheme should:*

- 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*
- b) *disclose that policy or a summary of it.*

Black Star does not have a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes as the Group does not have an equity based remuneration scheme.