

Corporate Governance Statement

This Corporate Governance Statement has been prepared on the basis of disclosure under the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations").

The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of and reason for the departure.

The Company's website www.norwestenergy.com.au contains a corporate governance section that includes copies of the Company's corporate governance policies and practices mentioned in this statement.

Recommendation	Comply Yes/No
<u>Principle 1 – Lay solid foundations for management and oversight</u>	
1.1 Disclose the respective roles and responsibilities of the Board and management and disclose those matters expressly reserved to the Board and those delegated to management.	Yes
1.2 Undertake appropriate checks before appointing a Director or putting forward for their election and provide security holders with all material information in its possession relevant to their election or re-election as a director.	Yes
1.3 Written agreement with each director and senior executive setting out the terms of their appointment.	Yes
1.4 The Company Secretary should be accountable to the Board through the Chair, on all matters to do with the proper functioning of the Board.	Yes
1.5 Have a diversity policy with the measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them. The proportion of men and woman on the Board, Senior Management and the whole organisation should be disclosed.	Yes
1.6 Disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and disclose whether a performance evaluation was undertaken during the reporting period.	Yes
1.7 Disclose a process for periodically evaluating the performance of the senior executives and disclose in relation to each reporting period whether an evaluation took place during the reporting period.	Yes
<u>Principle 2 – Structure the Board to add value</u>	
2.1 If the entity does not have a Nomination Committee disclose that fact and the processes it employs to address board succession issues and to ensure the Board has the correct mix of directors to enable it to discharge its duties and responsibilities effectively.	Yes
2.2 Disclose a Board skills matrix setting out the mix of skills and diversity that the Board has or would like to achieve.	Yes

2.3	Disclose the names of the independent Directors, along with the length of service of each director.	Yes
2.4	A majority of the Board should be independent.	No
2.5	The Chair of a Board should be an independent director, and should not be the same person as the CEO.	Yes
2.6	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.	Yes

Principle 3 – Act ethically and responsibly

3.1	Establish a code of conduct for its directors, senior executives and employees.	Yes
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Principle 4 – Safeguard integrity in corporate reporting

4.1	If the entity does not have an Audit Committee disclose that fact and the processes it employs that independently 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.	Yes
4.2	Before the Board approves its' financial statements, it should receive from its CFO and CEO a declaration that in their opinion the financial records have been maintained properly and that the financial records comply with the appropriate accounting standards and the opinion has been formed on the basis of a sound system of risk management and internal control.	Yes
4.3	Ensure that its external auditor attends its AGM and is able to answer questions from security holders relevant to the audit.	Yes

Principle 5 – Make timely and balanced disclosure

5.1	The entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.	Yes
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Principle 6 – Respect the rights of the shareholders

6.1	Provide information about the entity and its governance to investors via its website.	Yes
6.2	Design and implement an investor relations program to facilitate effective two-way communication.	
6.3	Disclose the policies and processes to facilitate and encourage participation at meetings of shareholders.	Yes
6.4	Give shareholders the option to receive and send communications to the entity and its share registry electronically.	Yes

Principle 7 – Recognise and manage risk

7.1	If the entity does not have a Risk Committee disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Yes
7.2	The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose when the review is undertaken.	Yes
7.3	If the entity does not have an internal audit function, disclose that fact and the processes it employs for evaluating and improving the effectiveness of its risk management and internal control processes.	Yes

7.4 Disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks. Yes

Principle 8 – Remunerate fairly and responsibly

8.1 If the entity 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 management and ensuring that such remuneration is appropriate. Yes

8.2 Separately disclose its policies and practices regarding the remuneration of non-executive directors, executive directors and other senior executives. Yes

8.3 If the entity has an equity based remuneration scheme, it should have a policy on whether participants are permitted to enter into derivative or other transactions to limit their risk. Yes

Further information required and non-compliance explanations

Recommendation 1.5 - Diversity Policy with measurable objectives

The Company’s primary objectives with regard to diversity are as follows:

- the Company’s composition of the Board, executive, management and employees to be as diverse as practicable; and
- to provide equal opportunities for all positions within the Company and continue the Company’s commitment to employment based on merit.

The measurable objectives set by the Company with regard to diversity have been met, as described below:

- blend of skills – wide range of backgrounds; geology, engineering, finance and corporate experience;
- cultural backgrounds – Australian, American and South African;
- gender – both male and female members; and
- age – the age range spans over 25 years.

The above points relate to the composition of the Board and full time employees.

The Company’s annual reporting on the percentage of females in the organisation is as follows:

	% Female	
	2017	2016
Full Time Employees	100%	80%
Executive Employees & Board Members	40%	20%

Recommendation 1.6 and 1.7 – Performance evaluation

During the year an evaluation of the Board and its individual directors was not carried out. The Board and management’s suitability, overall structure and composition to carry out the Company’s objectives is however, discussed and reviewed on an as-required basis.

Performance evaluation of the CEO, senior executives and employees is undertaken annually through a performance appraisal process which involves reviewing and assessment of performance against agreed corporate, industry and individual key performance indicators.

Recommendation 2.1 – Nomination Committee

The Board does not have a separate Nomination Committee, rather the full Board considers those matters that would usually be the responsibility of a Nomination Committee. Given the size and composition of the Board, it is not practicable for a separate committee to be formed.

To assist it in carrying out its function in relation to nomination matters, the Board has adopted a Nomination Committee Charter which includes the following responsibilities:

- board succession planning;
- performance evaluation of the Board and individual directors;
- director induction and professional development; and
- appointment and re-election of directors.

Recommendation 2.2 – Board skills matrix – composition of the Board

The names of the Directors of the Company in office at the date of this statement and information regarding Director's skills, experience and expertise are set out in the Directors' Report. The Company seeks to maintain a Board which brings together a diverse range of skills, experience, and perspectives to support the strategic direction of the Company and enable effective management oversight and governance.

The below is the preferred combination of capabilities, skills and experience for the Board:

- technical disciplines of upstream oil and gas exploration, development and production;
- finance, taxation, treasury and accounting;
- company strategy and business planning;
- risk and governance knowledge;
- business growth and corporate development;
- corporate social responsibility including sustainability and community stakeholder;
- local and international experience; and
- ASX listed public company administration.

Each of these skills are currently represented on the Board and the Board considers that collectively it has the appropriate range of skills and experience to direct the Company.

Recommendation 2.3– Name of independent Directors and length of service of each Director

In considering the independence of a director, the "Factors relevant to assessing the independence of a director" in Box 2.3 of the ASX Principles and Recommendations ("Independence Criteria") have been applied. Mr Fry has been considered an independent Director, whilst Mr Kennedy is a substantial shareholder and Mr Currie is associated with a substantial security holder of the entity and thus were not considered independent.

The length of service of Messrs Fry, Kennedy and Currie are eight, twenty and one year(s) respectively.

Recommendation 2.4 – Majority of the Board should be independent

As at 30 June 2017, only one of the three Directors are considered to be independent.

Given the size and scope of the Company's operations the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company. Further,

mechanisms are in place so that if a director considers it necessary, they may obtain independent professional advice.

Recommendation 4.1 – Audit Committee

The Board does not have a separate Audit Committee, rather the full board fulfils the function of an audit committee and therefore no separate audit committee has been formed in accordance with the compositional recommendation. Given the size and composition of the Board, it is not practicable that a separate audit committee be formed.

To assist it in carrying out its function in relation to audit matters, the Company has adopted an Audit Committee Charter to assist it to fulfil its role as the Audit Committee, which includes the following responsibilities:

- monitor and review the integrity of the financial reporting of the Company;
- review the Company's internal financial control system; and
- monitor, review and oversee the external audit function including matters concerning appointment, remuneration, independence and non-audit services.

The Charter provides that independent directors may meet with the external auditor.

Recommendation 7.1 – Risk Committee

The Company believes that it is crucial for all Board members to be a part of overseeing the risk management process, and as such the Board has not established a separate committee to oversee risk. This along with the size and composition of the Board has meant that the full Board fulfils the function of a risk committee. The Board is responsible for reviewing the Company's policies on risk oversight and management and satisfying itself that management has developed a sound system of risk management and internal control.

Recommendation 7.2 – Risk Management Framework review

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks and opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company has a risk management policy in place.

The Board is ultimately responsible for risk management, however implementation of the risk management system and day-day management of risk is the responsibility of the CEO, with the assistance of senior management. Management reports to the Board annually, or more frequently as required, on the Company's key risks and the extent to which it believes these risks are being managed. During 2017, the Board reviewed the overall risk profile for the Company and received input from management on the effectiveness of the Company's management of its material business risks.

The Board has a number of active mechanisms in place to ensure that management's objectives and activities are aligned with the business risks identified. These include the following:

- Implementation of approved operating plans and cash flow forecasts and Board monitoring of progress against these plans and forecasts;
- Management reporting on specific business risks, including matters such as environmental issues and occupational health and safety concerns.
- The Company has advised each director, manager and employee that they must comply with a set of ethical standards maintaining appropriate core company values and objectives. Such

standards ensure shareholder value is maintained and developed. Standards cover legal compliance, conflict resolution, employment best practices, privileged information and fair dealing.

Recommendation 7.3 – Internal Audit function or process for reviewing internal controls

The Company does not have a dedicated internal audit function, however strong internal control policies and procedures are in place to effectively manage potential risks and detect any control breakdowns. These are reviewed (and if necessary improved) on an annual basis, as well as when any new risks are identified or changes occur in the business or industry.

The processes for the review are as follows:

- External auditors independently evaluating the Company's internal control environment and its compliance with the International Financial Reporting Standards on an annual basis;
- Ongoing oversight of strategic matters by executive management and of operational matters ensuring that risks identified are assessed and proactively managed;
- Written internal control assurance from the CEO and CFO prior to sign off of financial statements by the Board; and
- Monthly reporting and review of financial and budgetary information.

Recommendation 7.4 – Material exposure to economic, environmental and social sustainability risks

The Company has identified a series of business risks (economic, environmental and social sustainability risks) which the Group believes to be inherent in the industry.

Economic risks

- *Ability to gain additional funding or a farm-out partner*

The Company is not in production as yet and the development of its permits will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and any development or a loss of interest. However, the Board is experienced in capital markets and financing resource projects as well as having an extensive reach for potential farm-in partners (as evidenced during the year by successfully farming out 75% of TP/15 and being free carried for the costs associated with drilling the Xanadu-1 well).

There are various other economic risks including; commodity risk, exchange rate risk and market risk (these risks are examined in Note 7).

Environmental and social sustainability risks

- *Impact on the environment and community from Company activities*

The Board and management are committed to developing and building a sustainable business, ensuring the Company is an active and responsible member of the communities in which we operate. Corporate environmental policies and procedures are in place and communicated to and adhered to by all employees.

External impact-assessment surveys and audits are conducted using third-party consultants who are specialists in their field.

- *Native title risk in relation to claims over the permits held by the Company*

Norwest works closely with the respective parties associated with any claim to come to a mutually beneficial agreement.

Recommendation 8.1 – Remuneration Committee

The Board does not have a separate Remuneration Committee, rather the full Board fulfils the function of a remuneration committee and therefore no remuneration committee has been formed in accordance with the compositional recommendation. Given the size and composition of the Board, it is not practicable that a separate remuneration committee be formed.

To assist it in carrying out its function in relation to remuneration matters, the Company has adopted a Remuneration Committee Charter to assist it to fulfil its role as the Remuneration Committee, which states the function of the committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

- Remuneration packages of directors and senior executives; and
- Employee incentive and equity-based plans.

Recommendation 8.2 – Remuneration policies and practices

The Company's remuneration policy has been developed by taking into account the size of the management team, the nature and stage of development of the current operations and market conditions and comparable salary levels for companies of a similar size and operating in a similar sector.

For details of the Company's policies and practices regarding the remuneration of directors and senior executives refer to the Remuneration Committee Charter on the Company's website as well as the Remuneration Report included within the Directors' Report which includes the remuneration paid to Key Management Personnel and other relevant information.

Recommendation 8.3 – Transactions to limit exposure to economic risk from participating in equity-based remuneration schemes

The Company prohibits executives entering into arrangements to limit their exposure to Incentive Options granted as part of their remuneration package