

2018 Corporate Governance Statement

INTRODUCTION

The directors are focussed on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it.

The table below summarises the Company's compliance with the 3rd Edition ASX Corporate Governance Council's Principles and Recommendations:

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	✓	The Board has adopted a Board Charter that formalizes its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. The Board Charter is available on the Company's website.
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; and (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 Board is responsible for ensuring it is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance. This will necessarily include undertaking background and other checks before appointing a person or putting them forward to security holders as a candidate for election as a director, as well as providing all material information relevant to a decision for election as a director.

			The qualifications, experience and special responsibilities of the Board members are set out in the Directors Report.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	✓	On appointment of a Director, the Company issues a letter of appointment setting out the terms and conditions of their appointment to the Board.
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 Board has appointed an experienced Company Secretary who is directly accountable to the Board.
1.5	<p>A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(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</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality</p>	x	<p>While the Company does not have a Diversity Policy, the Board values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilises the contribution of its employees. The purpose of this is to provide diversity and equality relating to all employment matters. The Company's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The Company opposes all forms of unlawful and unfair discrimination.</p> <p>The Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.</p>

	Indicators”, as defined in and published under that Act.		The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	✓	The performance of the Board (as a whole), each standing Board Committee and Board members generally are reviewed at least every 2 years, or thereabouts (and at other times as decided upon by the Board) against measurable and qualitative benchmarks as may reasonably be determined from time to time by the Board having regard to accepted, sound corporate governance standards. This evaluation has been performed during this reporting period.
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	✓	The performance of all senior executives is reviewed at least every 2 years, or thereabouts (and at other times as decided upon by the Board) against measurable and qualitative benchmarks as may reasonably be determined from time to time by the Board having regard to accepted, sound corporate governance standards. A performance evaluation of senior executives was undertaken in the previous reporting period.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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 it to discharge its duties and responsibilities effectively.</p>	✓	<p>A separate Nomination Committee has not been formed. Membership of the Board of Directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors.</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>	X	<p>The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider directors attributes prior to any appointment. The qualifications, skills and expertise relevant to the position of Director held by each Director in office at the date of the annual report and their attendance at</p>

			Board and Committee meetings is included in the Directors' Report.
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p> <p>(c) the length of service of each director.</p>	✓	<p>The Board considers Directors to be independent where they are free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the entity and its security holders generally.</p> <p>The Board has adopted a definition of independence based on that set out in Principle 2.3 of the ASX Corporate Governance Council Principles and Recommendations. The Board will review the independence of each Director in light of interests disclosed to the Board from time to time.</p> <p>In accordance with the definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent: Mr Anthony Walsh has been an independent director since his appointment on 26 July 2017; Mr Peter Stickland has been an independent director since his appointment on 31 August 2018; and</p> <p>Mr Mark McAuliffe is not considered to be an independent director due to his role as CEO and Executive Chairman.</p>
2.4	A majority of the board of a listed entity should be independent directors.	✓	The majority of the Board's directors (2 out of 3) are considered independent.
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.	x	The Chairman of the Board, Mr Mark McAuliffe is not an independent director as he is currently in the role of Acting CEO and Executive Chairman of the Company.
2.6	A listed entity should have a program for inducting new directors and	✓	The Board's induction program provides incoming directors with information that will enable them to carry out their

	<p>provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>		<p>duties in the best interests of the Company. This includes supporting ongoing education of Directors for the benefit of the Company.</p> <p>Each director of the Company has the right to seek independent professional advice at the expense of the Company, however prior approval of the Chairman is required which will not be unreasonably withheld.</p>
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PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

<p>3.1</p>	<p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>✓</p>	<p>The Board has adopted a Board Members' Code of Conduct, a Group Code of Conduct/Values and a Conflict of Interests Protocol. The Codes of Conduct establish a clear set of values which emphasise a culture encompassing strong corporate governance, sound business practices and good conduct from an ethical stand point. The Conflict of Interest Protocol provides guidance to members of the Board in the event of a conflict of interest.</p> <p>The Codes of Conduct and Conflicts of Interests Protocol are available on the Company's website.</p> <p>Directors are required to make disclosure of any share trading. The Company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company or within a period of the release of results i.e. the blackout period. That is information which a reasonable person would expect to have a material effect on the price or value of the Company's shares. An officer must receive authority to acquire or sell shares with the directors or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The</p>
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			<p>undertaking of any trading in shares by Directors must be notified to the ASX.</p> <p>The Trading in Company's Securities Policy is available on the Company's website and has been released to ASX.</p>
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PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(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</p> <p>(b) 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.</p>	✓	<p>While the Company has been in a project generation/non-operational phase, the full Board has carried out the functions of the Audit and Risk Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit and Risk Committee in this phase. Accordingly, the Board will perform the role of the Audit and Risk Committee until the Company commences operating or managing a project. When the Board convenes as the Audit and Risk Committee it carries out those functions which are delegated to it in the Company's Audit and Risk Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit and Risk Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.</p> <p>The full Board currently carries out the role of the Audit and Risk Committee. The full Board did not officially convene as an Audit and Risk Committee during the Reporting Period, however Audit-related discussions occurred from time to time during the year as required.</p> <p>Details of each of the director's qualifications and experience and the attendance at Audit and Risk Committee meetings prior to its dissolution are set out in the Directors Report under the section headed Board of Directors</p>
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			<p>The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit and Risk Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit and Risk Committee (or its equivalent) and any recommendations are made to the Board.</p> <p>The Audit and Risk Management Committee Charter and the Procedure for the Selection and Appointment of an External Auditor available on the Company's website.</p>
4.2	<p>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.</p>	✓	<p>The CEO and the CFO (or equivalents) make a statement to the Board prior to approval of the annual, half-yearly and quarterly accounts 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.</p>
4.3	<p>A listed entity that has an AGM should ensure that its external</p>	✓	<p>The external auditors are requested to attend the Annual General Meeting and</p>

	auditor attends its AGM and is available to answer questions from security holders relevant to the audit.		are available to answer shareholders' questions about the conduct of the audit and preparation of the Auditor's Report.
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PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1	<p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	✓	<p>The Company has adopted a Release of Price Sensitive Information Policy which is available on the Company's website.</p> <p>All directors, executives and staff are required to abide by all legal requirements, the ASX Listing Rules, the Corporations Act 2001 and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.</p> <p>The Company Secretary is the person responsible for overseeing and coordinating disclosure of information to ASX as well as communicating with the ASX.</p>
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PRINCIPLE 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.	✓	The Company's website provides a corporate governance landing page where all relevant corporate governance information can be accessed. The website also has access to copies of all releases and reports made to ASX and general information about the Company and its activities.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	✓	<p>The Board seeks to inform shareholders of all major developments affecting the Company by:</p> <ul style="list-style-type: none"> • preparing half yearly and yearly financial reports; • preparing quarterly cash flow reports and reports as to activities;

			<ul style="list-style-type: none"> • making announcements in accordance with the listing rules and the continuous disclosure obligations; • posting all of the above on the Company's website; • annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report, if requested, together with notice of meeting and proxy form; and • releasing other information which it believes is in the interest of shareholders.
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.	✓	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. The notices of all general meetings and AGMs of the Company shall state that all Shareholders are encouraged to participate at the meeting by attendance or by written communication. The Board seeks to enable shareholders to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting. Electronic voting is also provided as a convenient alternative for shareholders.
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.	✓	<p>The Company's registrar, Computershare, provides the option for shareholders to receive and send communications electronically. Shareholders are encouraged to create an online account at https://www-au.computershare.com/investor.</p> <p>In addition the Company maintains an electronic mailing list to send communications to shareholders.</p>

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	✓	<p>Ultimate responsibility for risk oversight and risk management rests with the Board and risk management issues are considered at every Board meeting.</p> <p>The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.</p> <p>The CEO has responsibility for identifying, assessing, monitoring and managing risks. The CEO is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile is updated to reflect any material change.</p> <p>The CEO is required to report on the progress of, and on all matters associated with, risk management on a regular basis.</p> <p>A copy of the Risk Management Policy is available on the Company's website.</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	✓	<p>A formal written policy on risk management was adopted by the Board.</p> <p>The Company reviews and oversees the operation of systems of risk management at least annually to ensure that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p>	✓	<p>The Company does not have an internal audit function. The Board works closely with the Management Team to identify and manage operational, financial and compliance risks which could prevent the Company from achieving its</p>

	(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.		objectives. The Audit and Risk Management Committee (or its equivalent) actively encourages the External Auditor to raise internal control issues and oversees management's timely remediation thereof.
7.4	A listed entity should 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.	✓	<p>The Board has identified exposure to economic, environmental and social sustainability risks in its Corporate Risk Register. The Board has implemented suitable risk management processes to be incorporated into all aspects of business planning, operations management and employee relations. Such processes include:</p> <ul style="list-style-type: none"> i) risk management education and training for staff; ii) a culture of transparency for identifying and addressing risks; iii) structured discussions on risk control and improvements within the Company's business and operations; iv) formal reporting to the Board of material business risks; v) the establishment and maintenance of physical controls such as security systems and fire protection measure; and vi) legal review of contractual arrangements which include standard indemnities, insurances and the like.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

<p>8.1</p>	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p>✓</p>	<p>While the Company has been in a project generation/non-operational phase, the full Board has carried out the functions of the Remuneration Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee in this phase. Accordingly, the Board will perform the role of the Remuneration Committee until the Company commences operating or managing a project. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.</p> <p>The full Board currently carries out the role of the Remuneration Committee. The full Board did not officially convene as a Remuneration Committee during the Reporting Period, however Remuneration-related discussions occurred from time to time during the year as required.</p> <p>The Remuneration Committee charter is available on the Company's website.</p>
<p>8.2</p>	<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>✓</p>	<p>The Company complies with the guidelines for executive and non-executive director remuneration, details of which are included in the Remuneration Report contained within the Annual Report.</p> <p>No Director or senior executive is involved directly in deciding their own remuneration. Directors are not</p>

			<p>remunerated in accordance with the performance of the Company.</p> <p>A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	✓	<p>The Company's Remuneration Committee Charter contains a policy restricting participants of the Employee Share Option Plan from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p>

The Company's corporate governance practices were in place for the financial year ended 30 June 2018 and to the date of signing the Directors' Report.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company, refer to our website www.entekenergy.com.au

This Corporate Governance Statement has been approved by the Board and is dated 23 October 2018.