



ABN 88 153 229 086

Corporate Governance Policy

BOARD CHARTER (Incorporating Role Statement and Code of Conduct)

INTRODUCTION

This Board Charter sets out the role, duties and responsibilities of the Board of Talon Petroleum Limited (**Talon Petroleum**), as adopted by the Board on 8 February 2013. It is adopted with a view to assisting Directors to understand their role, and the expectations placed on them when accepting or continuing in the role of Director of Talon Petroleum. This Charter consists of:

- Board's Role Statement
- Code of Conduct (agreed principles for conduct of Board business)

BOARD'S ROLE STATEMENT

1. **Fundamental Principles:** The Board Members, who are elected by and are accountable to the shareholders, have responsibility for guiding and monitoring the business affairs of Talon Petroleum on behalf of the shareholders. The following fundamental principles apply to the Board's role:
 - 1.1 The Board's overall role is the leadership of Talon Petroleum, to ensure that Talon Petroleum achieves the objectives of the company, which are specifically adopted from time to time by the Board and communicated to the shareholders through the appropriate channels;
 - 1.2 The Board aims to carry out its role primarily through its processes and its relationship with Talon Petroleum's management and hence the Board's delegation of responsibility for the day to day management of the company to the Chief Executive Officer (CEO) (who is accountable directly to the Board) is essential to this role;
 - 1.3 In view of the size and nature of Talon Petroleum, it is also essential to carrying out this role that the Board takes an active role in assisting the CEO and management in certain operational and management decisions (for instance, identifying prospecting opportunities, crisis management, and areas within the particular expertise of Directors);

1.4 The role of the Board, specifically, consists of the following major functions:

- (a) Providing Accountability to the shareholders and other stakeholders
- (b) Appointing and monitoring the CEO
- (c) Development of Talon Petroleum's strategy
- (d) Development of key policy
- (e) Monitoring management and operations

2. **Overriding duties:** In order to fulfil this role, the Board has a number of legal and ethical duties, including its formal legal duties of care and diligence and of good faith. The Board has regard to these duties at all times when fulfilling its functions.

3. **Board's Detailed Role Description**

3.1 **ACCOUNTABILITY TO SHAREHOLDERS / STAKEHOLDERS**

- (a) The Board is primarily responsible to Talon Petroleum's shareholders to ensure the proper management and conduct of the business of Talon Petroleum. The Board discharges that role through the various specific responsibilities set out in this Board Charter but also by having regard to the interests of shareholders (acknowledging that there is a range of varying interests), in the Board's decision making processes.
- (b) The Board also supports management to ensure that Talon Petroleum communicates frequently with potential partners and other external stakeholders whose relationships with Talon Petroleum are critical to its strategies and operations.
- (c) The Board will communicate its agreed strategies and plans regularly to the shareholders of Talon Petroleum through the ASX (for continuous disclosure), the company's AGM and annual, half-yearly, quarterly and other reporting processes.
- (d) The Board will communicate with the shareholders and where appropriate with other stakeholders, through the CEO, when appropriate, to discuss major proposed changes of structure, strategy, direction or shareholding of Talon Petroleum.
- (e) The Board is accessible to shareholders through the CEO to discuss any matters of serious concern shareholders may have.
- (f) The Board ensures through delegation to the Company Secretary that there are systems in place to ensure compliance with Talon Petroleum's ASX continuous disclosure and other reporting obligations, as well as the Company's financial and other reporting obligations as required by the *Corporations Act, 2001*.

3.2 **CEO/BOARD INTERACTION**

Acknowledging that the following applies, the Board's responsibilities in respect of the relationship with the CEO are, specifically, as follows:

- (a) Setting position description and selection criteria and conducting CEO selection process as needed.
- (b) Negotiating written terms for engagement of CEO.
- (c) Setting and ensuring ongoing remuneration package with CEO which is appropriate to the needs of Talon Petroleum.
- (d) Working with the CEO to set clear Board expectations of CEO.
- (e) Setting levels of delegation (financial, staffing and other) to the CEO, beyond which Board approval will be required for a decision.

- (f) Determining, in consultation with the CEO, appropriate monthly reporting protocols to ensure that the CEO reports to the Board against agreed strategic goals and objectives of Talon Petroleum and otherwise against such information as is reasonably required by the Board from time to time.
- (g) Determining and reviewing regularly, in consultation with the CEO, appropriate CEO performance review process, including setting appropriate KPIs in consultation with CEO.
- (h) Conducting annual performance reviews of CEO.
- (i) CEO succession planning.
- (j) Ensuring open communication between Board and CEO.
- (k) Taking responsibility when necessary for the removal of, and negotiation of appropriate termination arrangements with, the CEO.

3.3 **DEVELOPMENT OF STRATEGY**

The Board is actively involved with management in the development of strategy for Talon Petroleum, including through:

- (a) Agreeing with management from time to time the appropriate annual cycle for review and update of strategic plans for Talon Petroleum
- (b) Devising, with the CEO, the list of external stakeholders who are to be involved or considered in the development of Talon Petroleum's strategic plans and agreeing with the CEO the manner in which their interests and views are to be taken into account.
- (c) Development, in close consultation with the CEO, of strategic plans which where appropriate shall include clear financial objectives and shall require business plans and budgets to support the agreed strategic plans.
- (d) Reviewing performance of Talon Petroleum against agreed strategic goals, including by ensuring management reports against strategic plans and how approved business plans are being carried out.

3.4 **DEVELOPMENT OF KEY POLICY**

- (a) Development of consistent company policy with respect to governance and the Board's role including with respect to matters such as:
 - Risk management and compliance
 - Conflict of interest policy
 - Terms of reference for subcommittees
 - Performance reviews of the Board and the CEO
 - Selection process for identification of new Directors
 - Director remuneration
 - Directors and Officers share trading policy
 - Delegation to CEO responsibility for development of operational policy
- (b) Development and approval of Business Plans and Budgets consistent with Talon Petroleum strategic plans.
- (c) Development of budget and finance parameters and policies for management in implementing approved plans.

3.5 **MONITORING PERFORMANCE AND APPROVED STRATEGY, POLICY AND PROCEDURES**

- (a) Monitoring financial performance against approved budgets and plans through regular reporting requirements.
- (b) Engaging and working with Talon Petroleum's Auditors (including meeting in person with the Auditors at least once in each financial year prior to finalising the company's audited accounts) primarily through the Audit Committee to ensure, as far as reasonably possible, that there is appropriate integrity in all financial reporting of Talon Petroleum.
- (c) Conducting regular performance reviews of Talon Petroleum, the Board and the CEO, including against approved strategic and business plans and budgets.
- (d) Adopting appropriate use of committees of the Board to assist in the Board carrying out its monitoring role.
- (e) Monitoring implementation of all policies, strategic, business and other plans and budgets developed or approved by the Board through reporting by management and appropriate committees of the Board.
- (f) Working with the CEO to develop management reporting requirements.
- (g) Ensuring CEO regularly monitors staff performance and supports staff in their professional development.
- (h) Informing itself through Board professional development activities of the matters required to enable the Board to monitor key areas of performance.
- (i) Ensuring formal and accurate keeping of records and centralisation of board decisions to ensure consistency of decision-making.

CODE OF CONDUCT FOR DIRECTORS

1. Principles

- 1.1. Directors acknowledge their fiduciary duties to Talon Petroleum. The duty requires the directors to act honestly, in the interests of the board and of the company, and in the utmost good faith.
- 1.2. Directors are required to disclose to the Board all information which may be relevant to a matter under consideration by the Board. Directors must not profit, or advance their personal interests, from their position as a Director. In this context the CEO Mr David Mason has disclosed to the board that he is the principal shareholder of a US company that is contracted to Talon Petroleum to provide certain oil and gas prospects which Talon Petroleum may ultimately accept and drill. Directors are also aware that Mr Mason is entitled to an overriding royalty interest in the production of petroleum discovered by the Company. This information has also been disclosed in various public documents released by the Company.
- 1.3. A conflict of interest occurs when the personal or financial interest and duties of a Director conflict with the Director's duty to the Board or are perceived to conflict. Directors will comply not only with the letter of the law in respect of the rules relating to 'material personal interests' and 'related party transactions' under the *Corporations Act*, but will also observe the spirit of the law in relation to conflicts of interest generally. When in doubt as to whether a conflict exists, or might be perceived to exist, Directors will adopt a cautious approach and will assume that there is a conflict and act accordingly.

2. Obligations

- 2.1. Directors must at all times exercise a reasonable degree of care and diligence in the performance of their duties, and must exercise an active discretion in all matters under consideration, and take such other steps in the context of and within the processes of the Board as are reasonably necessary to enable them to make conscientious and informed decisions.
- 2.2. The CEO shall be the spokesperson for Talon Petroleum whenever public comment on operational matters is required. In respect of matters of governance the Chair shall be the spokesperson. Such comments shall, where relevant, be in accordance with the policies and decisions of the Board.
- 2.3. Directors shall wherever possible refrain from public comment on matters relating to the Board, referring all inquiries to the CEO. If public comment cannot reasonably be avoided, then in making any public comment about a matter affecting Talon Petroleum, Directors must observe the overriding principle that their predominant obligations are to the company, and they must not say or do anything which would cause disadvantage or detriment to Talon Petroleum, or would advance the Director's interests, or those of any other person or body, over the interests of Talon Petroleum. If the Director comments publicly about a matter on which the Board has made a decision, the Director must not oppose the decision, or take any other action that may thwart the implementation of the decision. These principles also apply to management attending board meetings.
- 2.4. Minutes, Board papers and other information received by the Directors in their capacity as Directors and, in particular, papers and material forwarded to them for the purposes of Board determination, shall be and shall remain confidential to that Director except that the Director shall be entitled to discuss any such information with other members of the Board. Directors must not use confidential information gained through their position in the conduct of their affairs to their advantage.
- 2.5. Members of the Board:
 - must not instruct any staff member;
 - may request the CEO to provide them with such information as they require about any matter relating to Talon Petroleum;
 - may request, through the Chairman or Company Secretary that reasonable preparatory work be undertaken for the Board meetings.
- 2.6. Directors shall ensure that where present at a Board meeting they vote on matters arising for decision unless they have a conflict of interest.

3. Breaches

- 3.1. The Chair should be advised immediately in writing of any alleged breach of this Code together with the grounds of the alleged breach.
- 3.2. The Chair shall provide a copy of the allegation to the Director and the Director has 14 days within which to provide a written response to the alleged breach.
- 3.3. The Chair shall undertake such investigations as are required and report to the next Board meeting, or convene a special Board meeting if declared necessary. A right of response to the alleged breach will be allowed, but the Director concerned then must leave the meeting to allow discussion and vote by other Directors.

4. Meeting Procedures

- 4.1. The CEO and Company Secretary will set the agenda of Board meetings. However, the Board owns the agenda and as such, may advise the CEO and Company Secretary of any matter required by the Board to be placed on the agenda.
- 4.2. Agenda and supporting papers to include recommendations of matters which are proposed to become the subject matter of a Board resolution. Directors/Management proposing decisions of the Board are to develop wording for resolution prior to the meeting, where this will assist in the decision-making process.
- 4.3. Matters are generally decided by the Board by consensus following a reasonable opportunity for the Board members to express relevant views, unless the Chair directs, in his discretion, that it is necessary or appropriate to take a formal resolution.
- 4.4. All decisions of the Board whether taken by consensus or formal resolution will be recorded in the minutes of the Board which shall, where the decision is taken by formal resolution, include the name of the mover and seconder and the details of any person dissenting or abstaining from the vote.
- 4.5. Once a resolution is passed by the Directors present at the meeting, it is a binding decision of the Board and, in the interests of advancing the stability and interests of Talon Petroleum, Directors are not to discuss contrary views outside the boardroom.
- 4.6. The Chair of a Board meeting is to act as the arbiter of whether the Board Charter and Code of Conduct are being met, or not met, and to take appropriate action.
- 4.7. Board members are to behave with integrity, openness, honesty and in a professional way which is respectful of others, and are encouraged to express views freely in the boardroom and in other Board discussions.
- 4.8. Attendance at all Board meetings (including extra Board meetings) is expected, whether in person or by telephone, unless there are extenuating circumstances.
- 4.9. Directors are expected to carefully read papers prior to all Board meetings (subject to adequate time being allowed for distribution prior to meetings) and, where possible, advise management in advance if they wish to request further information during the meeting.
- 4.10. Directors are expected to seek to understand the business of the Company, and not just to attend meetings.

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