

CORPORATE GOVERNANCE *(continued)*

Statement of Compliance

Tarong Energy is committed to best practice corporate governance and processes that will enhance its effectiveness and ensure the appropriate degree of accountability and transparency to stakeholders. Each year the Tarong Energy Board reviews its corporate governance framework, policies and charters to ensure practices are in place to enhance shareholder value, while making certain that Tarong Energy's activities are properly managed and supervised.

Tarong Energy endorses the view that the eight core principles of the Corporate Governance Guidelines for Government Owned Corporations form a sound platform for supporting good corporate governance practices. Tarong Energy has complied with the best practice recommendations set out in the Corporate Governance Guidelines for Government Owned Corporations.

The table shown below lists the relevant policies or charters that underpin corporate governance practices at Tarong Energy, all of which are available to view at www.tarongenergy.com.au

Principle 1 – Foundations of management and oversight	Reference material
<p>The Tarong Energy Board Procedures Manual articulates the processes, procedures and functions of the Board and provides guidance regarding the practicalities associated with good corporate governance.</p> <p>The Board Charter sets out the role, responsibilities and authority of the Board, the Chair, individual directors and the Chief Executive Officer within the Governance Framework of Tarong Energy.</p> <p>The Board's Standing Delegations of Authority Policy details the delegations by the Board of its powers and authority to other Tarong Energy bodies and to staff, including the Chief Executive Officer.</p> <p>The Board has established three Board committees. Each committee has its own charter.</p> <p>On an annual basis the Board, with the assistance of the Chief Executive Officer and the People and Performance Committee, undertakes a formal process of reviewing the performance of the senior executives.</p> <p>On a six monthly basis, the Chair with assistance from the Board and People and Performance Committee, undertakes a formal process of reviewing the performance of the Chief Executive Officer.</p> <p>Tarong Energy has a comprehensive director induction program in place that includes the provision of key corporate documents, facilitation of site visits and meetings with senior executives. The induction program is modified as required to ensure that it is appropriate for the new director's qualifications and experience.</p>	<ul style="list-style-type: none"> • Board Procedures Manual* • Board Charter* • Board Standing Delegations of Authority Policy* • Audit and Risk Management Committee Charter* • Strategy and Business Development Committee Charter* • People and Performance Committee Charter* • Senior Executive Appointments and Remuneration Policy
Principle 2 – Structure the Board to add value	Reference Material
<p>Government Owned Corporation directors are appointed by the Governor-in-Council under the <i>Government Owned Corporations Act 1993</i> for a specified period. In this regard the Board does not play a formal role in setting the composition or size of the Board.</p> <p>All directors appointed by the Governor-in-Council are non-executive directors (including the Chair).</p> <p>The Board has considered the associations of each of the directors and is of the view that all directors are independent. The materiality threshold is discussed on page 40. Directors may obtain independent professional advice in relation to the execution of their duties at Tarong Energy's expense with the prior approval of the Chair or the Chair Audit and Risk Management Committee or the Company Secretary if the Chair is conflicted.</p> <p>Details of directors' terms of office, skills, experience, expertise and attendances at Board and committee meetings are disclosed on pages 10 and 11.</p> <p>The Board evaluates its performance, the performance of individual directors, the Chair and the Board committees at regular periods, not exceeding two years. The evaluations are overseen by the People and Performance Committee. A report to shareholding Ministers is provided on the outcomes of this review.</p> <p>All directors are required to maintain their skills and undertake professional development activities to assist them in meeting their responsibilities to Tarong Energy.</p> <p>Directors are entitled to seek independent professional advice, at the Corporation's expense, on any aspect of Tarong Energy's business. The process for obtaining such advice requires the relevant director to consult with the Chair or the Chair of the Audit and Risk Management Committee or Company Secretary, where the Chair is conflicted, to facilitate the advice.</p>	<ul style="list-style-type: none"> • Independence of Directors Policy* • Director biographies (refer to pages 10 and 11')
Principle 3 – Promote ethical and responsible decision making	Reference material
<p>The Corporate Values and Code of Ethics applies to all directors, employees and contractors working at Tarong Energy. The Code of Ethics provides a framework for everyone at Tarong Energy to maintain the highest standards of corporate behaviour in their relationships with each other and with stakeholders. The behaviour this fosters is integral to supporting Tarong Energy's value and governance practices.</p> <p>Policies are an important part of the Code of Ethics and are based on the following five principles:</p> <ul style="list-style-type: none"> • Ethical Behaviour (Ethical Behaviour Policy) • Fair Treatment (Fair Treatment Policy) • Conflict of Interest (Conflicts of Interest Policy and Gifts and Benefits Policy) • Confidential Information (Confidential Information Policy and Securities Trading Policy) • Comply with the Law (GOC Corporate Responsibility Policy) <p>Ethical and responsible decision-making at Tarong Energy is also promoted by the Whistleblower Policy, which is designed to support and protect employees who report non-compliant, suspicious or unethical conduct by other employees. The policy formalises Tarong Energy's commitment to protecting the confidentiality and position of its employees wishing to raise serious matters that affect the integrity of Tarong Energy.</p>	<ul style="list-style-type: none"> • Code of Ethics* • Values Statement* • Ethical Behaviour Policy* • Fair Treatment Policy* • Conflicts of Interest Policy* • Gifts and Benefits Policy* • Confidential Information Policy* • Securities Trading Policy* • GOC Corporate Responsibilities Policy* • Whistleblower Protection Policy*

Principle 4 – Safeguard integrity in financial reporting	Reference material
<p>The Chief Executive Officer and Chief Financial Officer provide letters of assurance to the Board that Tarong Energy's financial reports present a true and fair view, in all material respects of Tarong Energy's financial condition, and that operational results are in accordance with relevant accounting standards.</p> <p>The Audit and Risk Management Committee has a charter which is reviewed annually.</p> <p>Details of Audit and Risk Management Committee members' terms of office, skills, experience, expertise and attendances at meetings are disclosed on page 51 of the Annual Report.</p>	<ul style="list-style-type: none"> • Audit and Risk Management Committee Charter* • Director biographies (refer to pages 10 and 11)*
Principle 5 – Make timely and balanced disclosures	Reference material
<p>An extensive continuous reporting regime is in place with shareholding Ministers, which includes preparing Quarterly Reports against Key Performance Indicators, a Statement of Corporate Intent, the Corporate Plan and Annual Report. Additional briefings are undertaken on an ad-hoc basis and as required.</p>	<ul style="list-style-type: none"> • Procedure for making timely and balanced disclosures to shareholders • Corporate Governance section of the Annual Report on pages 36 to 45
Principle 6 – Respect the rights of shareholders	Reference Material
<p>Under the <i>Government Owned Corporations Act 1993</i>, shareholding Ministers are advised in a timely manner of all issues likely to have a significant financial, operating, social and environmental impact.</p> <p>Shareholder approvals are sought as appropriate, pursuant to legislation and shareholder policy guidelines.</p> <p>Regular scheduled briefings occur between the Chair and the portfolio Minister.</p> <p>Tarong Energy's Chief Executive Officer and other officers and employees communicate regularly and cooperate with the Office of Government Owned Corporations and representatives of Queensland Mines and Energy to ensure that the shareholding Ministers can be briefed in a timely manner.</p>	<ul style="list-style-type: none"> • Stakeholder Engagement Policy • Corporate Governance section from pages 36 to 45
Principle 7 – Recognise and manage risk	Reference Material
<p>Tarong Energy has risk and compliance policies and procedures which are periodically reviewed. Business critical risks are periodically reviewed and addressed.</p> <p>The Chief Executive Officer and Chief Financial Officer letters of assurance given in accordance with Principle 4 (Safeguard integrity in financial reporting) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and the risk management and control system is operating effectively in all material respects.</p> <p>Tarong Energy has an internal audit function which is independent of management and the external audit and has full and free access to the Chair Audit and Risk Management Committee and also has free access to the Corporation's employees and records. The internal audit function is governed by the Internal Audit Charter. Annually, the Audit and Risk Management Committee approves a five-year internal audit strategic plan and annual audit internal operational plan.</p> <p>The external audit function is performed by or on behalf of the Queensland Auditor General. Additional work is conducted as required by independent professionals.</p> <p>Tarong Energy does not tolerate fraud or corruption and ensures that all instances of fraud and misappropriation are promptly reported and investigated.</p> <p>Details of Audit and Risk Management Committee members' terms of office, skills, experience, expertise and attendances at meetings are disclosed on pages 10 to 11 and 51 of the Annual Report.</p>	<ul style="list-style-type: none"> • Audit and Risk Management Charter* • Internal Audit Charter* • Fraud Prevention and Control Policy* • Risk Policy* • Compliance Policy* • Director biographies (refer to pages 10 and 11)*
Principle 8 – Remunerate fairly and responsibly	Reference Material
<p>Shareholding Ministers determine and advise the remuneration payable to directors and fees are paid according to this advice.</p> <p>Tarong Energy's Senior Executive Appointments and Remuneration Policy accords with the Government Owned Corporations' Governance Arrangements for Chief and Senior Executives. The Policy provides the framework by which Tarong Energy undertakes the recruitment, appointment and establishment of conditions of employment for chief and senior executives.</p> <p>The People and Performance Committee oversees employee remuneration and benefits including incentive payments for the past year and incentive targets for the ensuing year.</p> <p>Details of People and Performance Committee members' terms of office, skills, experience, expertise and attendances at meetings are disclosed on pages 10 to 11 and 51 of the Annual Report.</p> <p>A summary of Tarong Energy's Remuneration Policy is disclosed on pages 96 to 100.</p>	<ul style="list-style-type: none"> • Remuneration Report (refer to pages 96 to 100) • Director biographies (refer to pages 10 and 11)* • People and Performance Committee Charter* • Senior Executive Appointments and Remuneration Policy

* Tarong Energy's corporate governance policies can be viewed at www.tarongenergy.com.au