

PILOT ENERGY LIMITED

BOARD CHARTER

1 Purpose

- 1.1 This charter sets out the role, composition and responsibilities of the board of directors (“Board”) of Pilot Energy Limited (“Pilot” and “Company”) within the governance structure of Pilot and its controlled entities (“the Group”).
- 1.2 The disclosure of the role, composition and responsibilities of the Board is designed to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the senior executive of the Group.
- 1.3 The conduct of the Board is governed by the Constitution of Pilot, the Corporations Act and Australian Securities Exchange listing rules.
- 1.4 The Board’s general responsibility is to act in the best interests of the Group, be accountable to shareholders as a whole and ensure that the Group is properly managed to enhance shareholder value by ensuring long-term health and prosperity of the Group.
- 1.5 This charter is only a summary of the matters reserved to the Board and should therefore only be used as a general guide.

2 Membership

- 2.1 The Constitution of Pilot provides for a minimum three directors and a maximum of nine directors. The Board has adopted a policy in relation to its composition which aspires that there be a majority of independent non-executive directors.
- 2.2 An independent director is a non-executive director and:
 - (a) is not a substantial shareholder of Pilot or an officer of, or otherwise associated directly with, a substantial shareholder of Pilot.
 - (b) within the last three years has not been employed in an executive capacity by the Company, or been a director after ceasing to hold any such employment
 - (c) within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with the service provided
 - (d) is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer, has no material contractual relationship with the Company other than as a director of Tox Free
 - (e) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company
 - (f) 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 Company.

BOARD CHARTER

- 2.3 The threshold for materiality for the purpose of assessing the materiality of relationships between a non-executive director and Pilot (other than as a director) shall be judged according to the significance of the relationship to the director in the context of their activities as a whole.
- 2.4 Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent. Loss or gain of independence shall be disclosed to the Australian Securities Exchange and any other stock exchange on which Pilot is listed.

3 Term

- 3.1 All directors (except the chief executive officer (CEO)) are required by the Constitution of Pilot to submit themselves for re-election at regular intervals and at least every three years.
- 3.2 Non-executive directors shall serve a maximum of three terms, unless their tenure is extended by the Board. Tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board; however, it is recognised that they hold the disadvantage of losing the contribution of directors who have developed over time an increasing insight into the Company and its operations.
- 3.3 Before a director is nominated for re-election at a shareholders' meeting, the Chairman shall consult with the rest of the Board and the director's performance shall be reviewed by the Nominations Committee before the Board endorses his or her re-nomination. The Board shall provide shareholders with all material information in the Company's possession relevant to a decision on whether or not to elect a director.
- 3.4 In light of the time commitment required by appointment to the Board, non-executive directors are asked to limit the number of other directorships for the duration of their appointment with Pilot. Non-executive directors are asked to provide the Nominations Committee with details of other commitments and an indication of time involved. The Nominations Committee will regularly review the time required of a non-executive director and make an assessment as to whether the directors are able to meet their commitment to Pilot.

4 Selection of New Directors

- 4.1 The Nominations Committee sets and reviews the criteria for appointment of new directors.
- 4.2 Subject to the Constitution of Tox Free, the Board shall decide on the recommendations of new directors made by the Nominations Committee.
- 4.3 In selecting new members for the Board, directors shall have regard to the appropriate range of qualifications and expertise needed by the Board as a whole. The directors shall endeavour to appoint individuals who will provide a mix of director characteristics and diverse experiences, perspectives and skills appropriate for the Company.
- 4.4 The Board must undertake appropriate checks of all candidates for appointment to the Board.

4.5 New directors are to be provided with a letter of appointment which sets out the key terms and conditions of their appointment. New directors must participate in an induction program designed to enable them to gain an understanding of:

- (a) The Company's financial, strategic, operational and risk management position
- (b) their rights, duties and responsibilities as a director
- (c) the role of Board, Board committees and the senior executive.

5 Professional Development

All Directors shall be provided with appropriate ongoing professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

6 Role of the Board

6.1 The primary role of the Board is to oversee and approve the Group's strategic direction, to oversee the Group's management and business activities and to report to shareholders. The roles and responsibilities of the Board will be formalised in written policies, which shall be evaluated by the Board on an ongoing basis.

6.2 The following are regarded as the key responsibilities and functions of the Board:

- (a) to develop, review and monitor the Company's long-term business strategies and provide strategic direction to the senior executives
- (b) to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently
- (c) to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled
- (d) to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance and that management is taking appropriate action to minimise those risks
- (e) to review and approve the Company's annual and half yearly financial statements
- (f) to monitor management's performance and Pilot's consolidated financial results on a regular basis
- (g) to appoint, appraise and determine the remuneration and benefits of the CEO and key management personnel.
- (h) to delegate powers to the CEO as necessary to enable the day-to-day business of the Company to be carried on, and to regularly review those delegations
- (i) to ensure that the Company has in place appropriate systems to comply with relevant legal and regulatory requirements that impact on its operations
- (j) to determine the appropriate capital management for the Company including share and loan capital
- (k) to determine and regularly review an appropriate remuneration policy for employees of the Company
- (l) to nominate and monitor the external auditor
- (m) to approve all significant business transactions

- (n) to appoint and monitor the senior executive
- (o) to ensure that stakeholders are informed of all major developments affecting the Company

The Board shall ensure that all information about the Board, the Company and its governance are provided to all investors via the Company's web site.

7 Delegation to Management

- 7.1 The Board has developed and shall regularly review a formal instrument of delegation to the CEO. The instrument shall contain all necessary powers to enable the CEO to conduct the business of the Company on a day-to-day basis.
- 7.2 The Board shall require the CEO to report on the exercise of certain delegated powers, in particular sub-delegated authorities to other senior executives.
- 7.3 The CEO shall conduct a formal review each year assessing the performance of senior executives and report back to the Board.

8 Delegation to Committees

- 8.1 The Board from time to time shall establish committees to streamline the discharge of its responsibilities. For each committee, the Board shall adopt a formal charter setting out the matters relevant to the composition, role, responsibilities and administration of such committee.
- 8.2 The Board has, at the date of this charter, established:
 - (a) an Audit Committee
 - (b) a Risk Committee
 - (c) a Nominations Committee
 - (d) a Remuneration Committee
- 8.3 Committee charters shall be reviewed on a regular basis by the Committee and a report provided to the Board, if required, recommending any necessary or additional duties.

9 Directors' Shareholdings

- 9.1 All directors must disclose publicly their shareholdings and all changes thereof. The disclosed interests in shares held by directors, their associates and their associated entities are the same as their economic interest.
- 9.2 Directors and employees are subject to a securities dealing policy which provides that Pilot securities may not be bought or sold during prescribed periods.

10 Policies and Standards

- 10.1 Pilot has adopted the following operational policies and standards:
 - (a) guidelines for the operation of the Board
 - (b) a code conduct
 - (c) a policy on the appointment and selection of directors

- (d) a conflicts of interest policy
- (e) a communications policy
- (f) a market disclosure policy
- (g) a securities dealing policy
- (h) a risk management policy
- (i) an equal opportunity policy
- (j) a diversity policy
- (k) a whistleblower protection policy
- (l) a health and safety policy

11 Review of Board Performance

- 11.1 Every 12 months the Board shall undertake a review of its performance, policies and practices. The Board shall also evaluate the performance of Board committees and individual directors. These evaluations will be disclosed to shareholders and, in relation to each reporting period, shall state whether a performance evaluation was undertaken in the reporting period.

12 Operations

- 12.1 Proceedings of all meetings shall be in accordance with guidelines established for the operation of the Board.

13 Company Secretary

- 13.1 The Company Secretary shall be accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

14 Review of Charter

- 14.1 The Board shall review this charter every 3 years to ensure it remains consistent with the Board's objectives and responsibilities.