

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

African Energy Resources Limited

ABN / ARBN:

45 123 316 781

Financial year ended:

30 June 2018

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://africanenergyresources.com/display/index/corporate-governance>

The Corporate Governance Statement is accurate and up to date as at 19 October 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located...



Daniel Davis  
Company Secretary  
Date: 16 October 2018

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input checked="" type="checkbox"/> at <a href="http://africanenergyresources.com/display/index/corporate-governance">http://africanenergyresources.com/display/index/corporate-governance</a></p>	
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	
1.4	<p>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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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 Indicators", as defined in and published under that Act.</p>		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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>	<p>... the evaluation process referred to in paragraph (a):</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement	
		<p>... and the information referred to in paragraph (b):</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement	
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>	<p>... the evaluation process referred to in paragraph (a):</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement	
		<p>... and the information referred to in paragraph (b):</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement	

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>		
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, 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>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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 names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and, where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.4	A majority of the board of a listed entity should be independent directors.		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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.		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.6	A listed entity should 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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> at <a href="http://africanenergyresources.com/display/index/corporate-governance">http://africanenergyresources.com/display/index/corporate-governance</a>	

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>		
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>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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 fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement
4.3	<p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> at <a href="http://africanenergyresources.com/display/index/corporate-governance">http://africanenergyresources.com/display/index/corporate-governance</a>	
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at <a href="http://africanenergyresources.com/display/index/corporate-governance">http://africanenergyresources.com/display/index/corporate-governance</a>	
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
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.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement	
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement	

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, 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>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://africanenergyresources.com/display/index/corporate-governance">http://africanenergyresources.com/display/index/corporate-governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>(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.</p>		<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>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>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<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, 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>		<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
8.2	<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>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	

This statement has been approved by the Board and generally covers the period 1 July 2017 to 30 June 2018. It is current as at 16 October 2018. The Board and Company Secretary of African Energy Resources Limited (“African Energy” or the “Company”) are committed to acting responsibly, ethically and with high standard of integrity as the Company strives to create shareholder value. African Energy is committed to implementing the highest standards of corporate governance appropriate for a company of its size and operations. This corporate governance statement outlines the corporate governance practices in place or adopted by the Board in the financial year ended 30 June 2018 by reference to the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd Edition) (the Recommendations).

The Board considers and applies the Recommendations taking into account the circumstances of the Company. Where the Company’s practices depart from a Recommendation, this Statement identifies the area of divergence and reasons for it, or the alternative practices adopted by the Company. The documents that govern the Company’s corporate governance framework, including its Constitution, Charters and Policies are set out at the end of this statement, together with links to where those documents can be accessed on the Company’s website.

## **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

### **1.1 Disclose the respective roles and responsibilities of board and management and those matters expressly reserved to the board and those delegated to management**

The Board is committed to acting responsibly, ethically and with high standards of integrity as the Company strives to create shareholder value. The Board is responsible for the strategic direction of the Company with oversight and review of the management and administration of the Company. It is the role of Executive Directors to manage the Company in accordance with the direction and delegation of the Board with the responsibility of the Board to provide leadership to, and oversee the activities of Executive Directors in carrying out these delegated duties. The respective roles and responsibilities of the Board, its Committees and CEO are set out in the Board and Committee Charters. These Charters are available on the Company’s website. Details on the number of meetings held throughout the year and attendance at those meetings can be found on page 13 of the 2018 Annual Report.

### **1.2 Companies should carry out appropriate checks of Board candidates and provide information to shareholders that is material to their candidacy**

The Board has established policies and procedures that apply to the appointment of new Directors, which include checks as to the person’s character, experience, education and appropriate background checks. At any AGM the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

### **1.3 Companies should have a written agreement with each director and executive setting out the terms of their appointment**

Non-executive Directors are provided a formal letter of appointment which sets out their duties and responsibilities, rights and remuneration entitlements. Executives Directors are employed under executive service agreements which set out their terms of employment including details of their duties, responsibilities, rights and remuneration entitlements.

### **1.4 The company secretary of a listed entity should be accountable directly to the Chair of the Board for matters relevant to the Board**

The appointment and removal of a Company Secretary is a matter reserved for decision by the Board.

The company secretary has a direct line of communication with all directors, and is responsible for supporting the proper functioning of the Board which includes providing advice on governance and procedural issues, the preparation of Board papers and minutes, attendance at Board meetings and maintaining policies and procedures.

### **1.5 Companies should have a policy concerning diversity and disclose that policy, together with measurable objectives for achieving gender diversity and its progress towards achieving those objectives**

The Company has not established a formal policy in relation to diversity. The board believes that given the size and nature of the Company's activities, and the existing diversity profile of the organisation, that an informal approach is appropriate at this time. Senior management roles and positions are filled by the best candidates available without discrimination. The Company aims to increase diversity in senior appointments as positions and appropriate candidates become available.

The Company is committed to a workplace environment that promotes diversity and recognises the key competitive benefits of recruiting, developing and retaining a talented, diverse and motivated workforce. The board recognises the benefits of diversity at board level, senior management level and within the organisation generally and recognises the organisational strengths, deeper problem solving ability and opportunity for innovation that diversity may bring.

The Company will review this position annually and, as activities expand, plans to establish a formal diversity policy and set measurable objectives for achieving diversity in relation to gender.

The proportion of women employees in the organisation as of 30 June 2018 is:

In whole organisation	20%
In senior executive positions	0%
On the Board	0%

#### **1.6 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors**

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other board members. The Company has established guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

The performance review for the year was conducted on an informal basis

#### **1.7 Companies should disclose the process for evaluating the performance of senior executives**

Senior executives are subject to annual performance evaluations carried out by the Chairman. Due to the small number of executives the performance review was conducted on an informal basis.

**PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

At the date of this report, the Board had six Directors comprising three Executive Directors and three Non-Executive Directors, two of whom were independent. The Board met four times during the 2017/18 financial year. Director attendances are set out on page 13 of the Company's 2018 Annual Report.

Name	Position	Term in Office	Non-Executive	Independent
Mr Alasdair Cooke	Executive Chairman	12 years	No	No
Dr Charles Tabcart	Executive Director/CEO	11 years	No	No
Mr Gregory Fry	Executive Director	12 years	No	No
Mr Valentine Chitalu	Non-Executive Director	12 years	Yes	Yes
Mr Vincent Masterton-Hume	Non-Executive Director	4 years	Yes	Yes
Mr John Dean	Non-Executive Director	3 years	Yes	No

**2.1 The Board should establish an appropriately structured nomination committee**

The Company does not currently have a separate Nomination Committee. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate Nomination Committee.

**2.2 The Board should establish and disclose a board skills matrix on the skills and diversity for Board membership**

The Company seeks to maintain a Board of Directors with a broad range of financial, industry and other relevant skills, experience and knowledge. The Board considers that there is currently an appropriate mix of skills, diversity and experience on the Board, taking into account the size of the Company, the stage of its development and the nature of its operations.

The Directors of African Energy during the financial year are listed with a brief description of their qualifications, appointment date, experience and special responsibilities are listed on the Company's website as well as on pages 11 to 13 of the 2018 Annual Report.

The Board believes this current structure is best suited to enable the Company to deliver shareholder value and manage the operations for a company of its size. The Company will continue to review its Board structure in light of these recommendations as it continues to grow to ensure that it is in the best position to deliver value to its shareholders, key stakeholders and the communities in which it operates.

**2.3 The Company should disclose whether its Directors are independent**

African Energy considers a Director 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 judgment to bear on issues before the Board and to act in the best interest of the entity and its security holders generally.

## 2.4 The majority of the Board should be comprised of independent Directors

At the date of this report, two of the six Directors were independent. The Board does not have a majority of independent directors but believes it is structured to act in the best interests of its security holders as the reasons for non-independence are distributed such that no individual or small group is able to dominate decision making.

## 2.5 The Chair should be an independent Director and should not be the same person as the CEO

The role of the Chairman and CEO has been performed by two separate individuals for the entire year.

The Chairman, Mr Alasdair Cooke, is not an independent director as he has a substantial shareholding in the Company. The Board believes director and executive shareholdings assist in aligning the Group's objectives with the interests of its shareholders.

## 2.6 The Board should establish a program for inducting new directors and provide appropriate professional development opportunities for Directors

The Company has a formal process to educate new Directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of Directors. Directors are given access to, and encouraged to participate in, continuing education opportunities to update and enhance their skills and knowledge.

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation.

### PRINCIPLE 3: ACT ETHICALLY & RESPONSIBLY

#### 3.1 Companies should establish a Code of Conduct

The Company has established a Code of Conduct, that outlines how Directors, senior executives and employees of the Company to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### 4.1 The Board should establish an appropriately structured audit committee

The Board has a separate Audit & Risk Committee comprised of the following members.

<b>Name</b>	<b>Position</b>	<b>Non-Executive</b>	<b>Independent</b>
Mr Valentine Chitalu	Chairman	Yes	Yes
Mr Gregory Fry	Member	No	No
Dr Charles Tabcart	Member	No	No

The Audit & Risk Committee consists of two Executive and one Non-Executive Director and is chaired by a non-Executive independent Director.

The Audit & Risk Committee discusses directly with the auditors in respect of each half year and full year, all relevant financial aspects of the Company.

The responsibilities of the Audit & Risk Committee are set out in a formal charter approved by the Board that is available on the Company's website.

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and International jurisdictions.

#### **4.2 CEO and CFO certification of financial statements**

Prior to Board approval of the Company's half year and annual financial reports, the CEO and CFO declared in writing to the Board that the Company's financial reports for the year ended 30 June 2018 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

#### **4.3 External auditor availability at AGM**

The external auditor attends African Energy's Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. Shareholders are also given the opportunity to submit written questions prior to the meeting. The Company considers that this is important in promoting and encouraging shareholder participation and reflects and supports the roles of the auditor and the auditor's accountability to shareholders.

### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

#### **5.1 Companies should establish continuous disclosure policies and ensure compliance with those policies**

The Company has a formal Continuous Disclosure Policy, to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the Company's securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company's website following confirmation of the publishing of the information by the ASX; and
- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Company Secretary is responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all Directors, officers and employees of the Company coordinate disclosures through the Company Secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

**PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS****6.1 The Company should provide information about itself and its governance to shareholders on its website**

The Company's website [www.africanenergyresources.com](http://www.africanenergyresources.com) provides detailed information about the Company, including its background, objectives, projects, contact details and all key corporate policies and statements. ASX announcements, Company Reports and presentations are uploaded to the website following release to the ASX. Shareholders can find information about the Company's corporate governance practices on the website within the Corporate Governance section under About Us.

This includes the Company's Constitution, Board and Committee Charters and the Company's other corporate governance policies.

**6.2 The Company should design and implement an investor relations program to facilitate effective two-way communication with shareholders**

The Company is committed to engaging with shareholders and using a variety of tools to facilitate effective two-way communication.

The Company encourages participation by shareholders at the Company's General Meetings, investor presentations and via the contact details provided on the Company's website. Shareholders can also register with the Company to receive e-mail notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is posted.

**6.3 The Company should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of shareholders**

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in General Meetings. The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals. The shareholders are responsible for voting on the appointment of Directors, approval of the amount of funds available for remunerating Non-Executive Directors and the granting of options and shares to Directors. Important issues are presented to the shareholders as single resolutions.

**6.4 The Company should provide the option to send and receive communications from the Company and its Share Registry in electronic form**

The Company provides shareholders with the option of receiving communications from, and sending communications to, the Company and Share Registry electronically, for reasons of cost, convenience and environmental considerations. The Company provides a printed copy of the Annual Report only to those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the Company's website. Shareholders are encouraged to register on the Company website to receive email alerts of ASX Announcements and Media Releases and other news. The Company's Share Register is managed and maintained by Link Market Services. Shareholders can access their shareholding details or make enquiries about their shareholding electronically through the Link Market Services website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

**PRINCIPLE 7: RECOGNISE AND MANAGE RISK****7.1 The Company should establish an appropriately structured risk management committee for the oversight of material business risks**

The Board has a separate Audit & Risk Committee to assist the Board in the oversight of material business risks. The responsibilities of the Audit & Risk Committee are set out in a formal charter approved by the Board.

The Board has delegated to the Audit & Risk Committee for oversight of the processes whereby the risks, and also 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. This oversight encompasses operational, financial reporting and compliance risks.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholders' needs and manage business risks.

### **7.2 The Board or a Committee of the Board should review the Company's risk framework at least annually to satisfy itself that it continues to be sound**

The Audit & Risk Committee maintains a corporate risk register, which was reviewed by the Directors at one Board meeting during the 2017/18 financial year.

### **7.3 The Company should disclose the structure and role of its internal audit function**

The Company does not have a dedicated internal audit function. The Board considers this is appropriate, due to its size and stage of development of African Energy operations. The Audit & Risk Committee regularly discusses the appropriateness of controls with the external auditor and if considered necessary would initiate an audit of a particular function.

### **7.4 The Company should disclose their economic, environmental and social sustainability risks and how those risks are managed**

The Company has exposure to the following risks which are detailed in the corporate risk register.

Finance Risk	If any of the Company's projects secure a power purchase agreement, there is no guarantee that a necessary financing package for a project will be secured.
Partnering Risk	The Company is reliant upon maintaining a good relationship with its project partners so as to effectively develop any power projects.
Water	Power projects and the associated mining activities require considerable volumes of water. In all of the Company's power and coal projects a suitable water source has been identified, and in the case of the Sese Power Project this has been secured. The cost of accessing water is a risk.
Infrastructure risk	All of the Company's projects occur within 20kms to 60kms of existing road, rail, water and power infrastructure. In each case a connection to the appropriate regional infrastructure will be required.
Exploration and development risk	Exploration and development is by its nature a high risk undertaking. There is no assurance that the Company's activities on these projects will result in a commercially viable operation.
Coal price	An adverse movement in the price of coal may adversely affect the development of the Company's export focused coal projects.
Botswana sovereign risk	Although the political situation is stable, uncertainties may arise from matters such as corruption, civil strife and poor infrastructure.
Reliance on key personnel	The Company's success depends on the core competencies of its Directors and management and their familiarisation with, and ability to operate in, the resource industry and the Company's ability to retain its key executives.
Electricity tariff price risk	Volatility in electricity prices as a result of factors such as weather, generator competitive behaviour, retail competitive behaviour, plant reliability, market regulation and the level of economic activity can have a significant effect on African Energy's revenues and capital requirements and therefore its financial performance.

Environmental	<p>The Company's projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.</p> <p>The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.</p> <p>African Energy is committed to developing a culture and management system that supports its Safety and Health values by encouraging behaviours and implementing processes that ensure the safety and health of all employees, contractors, customers and communities associated with our activities.</p>
Foreign Exchange Rate Risk	<p>Any revenue received by the Company would likely be derived in Botswana Pula (BWP), South African Rand (ZAR) or US dollars (USD) from the sale of electricity or US dollars (USD) from the sale of coal. The Company's operating expenses would be incurred principally in Botswana Pula. Therefore, USD reported revenue will be directly impacted by movements in the BWP/USD exchange rates. Movements in the BWP/USD exchange rate and/or the USD coal price or BWP/ZAR electricity price may adversely or beneficially affect the Company's results or operations and cash flows.</p>
Estimates of Ore Reserves and Mineral Resources	<p>Estimating ore reserves and mineral resources is a subjective process where the accuracy of estimates is a function of the quantity and quality of available data, the assumptions used and judgments made in interpreting information. As a result, estimates of ore reserves and mineral resources are inherently imprecise and may have to be recalculated based on matters such as changes in the coal price, production costs or recovery rates and exploration and development activity generally.</p>
Insurance Risk Management	<p>Insurance Risk Management is the assessment and quantification of the likelihood and financial impact of events that may occur that require settlement by the insurer.</p>
Fraud and Corruption	<p>Fraud and corruption is an ongoing risk for the Company. Fraud results in financial loss, impairs reputation, alienates customers and suppliers and diminishes market confidence and trust.</p>

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY****8.1 The Board should establish an appropriately structured remuneration committee**

The Board has established a separate Remuneration Committee to make recommendations to the Board about the remuneration of Executive and Non-Executive Directors as well as senior management of the Company.

Its responsibilities are set out in a formal Remuneration Committee charter approved by the Board. Due to the size and structure of the Company, the Remuneration Committee consists of both Executive and Non-Executive Directors.

<b>Name</b>	<b>Position</b>	<b>Non-Executive</b>	<b>Independent</b>
Mr Vincent Masterton-Hume	Chairman	Yes	Yes
Mr Alasdair Cooke	Member	No	No
Mr John Dean	Member	Yes	No

Details on the number of meetings held throughout the year and attendance at those meetings can also be found on page 12 of the 2018 Annual Report. The Remuneration and Nomination Committee Charter which sets out the Committee's role and responsibilities, composition, structure and membership requirements is available in the Corporate Governance section on the Company's website.

**8.2 The Company should distinguish between non-executive Directors' remuneration and that of executive Directors and senior executives**

Remuneration of Executive Directors are formalised in service agreements. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Executive Directors and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating Directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of senior executives;
- Attraction of quality management to the Company; and
- Performance incentives which allow executives to share the rewards of the success of the Company.

Remuneration of Non-Executive Directors is determined by the Board with reference to comparable industry levels and, specifically for Directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits to Non-Executive Directors.

**8.3 The Company should establish a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes**

Directors and Senior Executives are not permitted from entering into transactions which would limit the economic risk of any unvested entitlements under any equity-based remuneration schemes.