

ADX ENERGY LTD - Corporate Governance Statement – 31 December 2018

This statement outlines the Corporate Governance practices adopted by the Board of Directors for the year ending 31 December 2018.

The Board of ADX Energy Ltd (**ADX Energy** or the **Company**) is committed to conducting the Company's business in accordance with a high standard of corporate governance commensurate with its size, operations and the industry within which it participates. The Board has established a corporate governance framework, including corporate governance policies, procedures and charters to support this commitment. It is the Company's policy to regularly review and update its corporate governance practices to ensure they remain appropriate to the Company's circumstances.

The Directors of ADX Energy are responsible for corporate governance of the Company and support the principles of the ASX Corporate Governance Council's Principles and Recommendations 3rd edition.

In addition to the information contained in this statement, the Company's website <http://adx-energy.com/en/home.php> has a dedicated corporate governance section which includes copies of key corporate governance policies adopted by the Company.

The extent to which the Company has complied with the ASX Recommendations during the year ended 31 December 2018, and the main corporate governance practices in place, are set out below.

This statement is current as at 29 March 2019 and has been approved by the Board.

PRINCIPLES AND RECOMMENDATIONS		COMPLY	DISCLOSURE
Principle 1: Lay solid foundations for management and oversight <i>A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.</i>			
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 Company's Corporate Governance Manual includes a Board Charter, which outlines the specific responsibilities of the Board and defines the Board's relationship with Management. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Executive Chairman and CEO. The Corporate Governance Manual, which includes the Board Charter, is available on the Corporate Governance page of 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 undertakes appropriate checks, including a police check and reference checks before appointing new Directors, as disclosed in the Company's Corporate Governance Manual. All material information relevant to whether or not to elect or re-elect a Director is provided to the Company's shareholders as part of the Notice of Meeting and Explanatory Statement for the relevant meeting of shareholders which addresses the election or re-election of a Director. Details of the Directors in office, including their qualifications, experience, date of appointment and their status as Non-Executive, independent or Executive Director are set out in the Directors' Report in the Company's Annual Report. The Corporate Governance Manual, is available on the Corporate Governance page of the Company's website.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	✓	Each Executive Director and senior executive (if any) of the Company has an employment or consulting agreement. Non-Executive Directors have letters of appointment which detail the terms and conditions of appointment.

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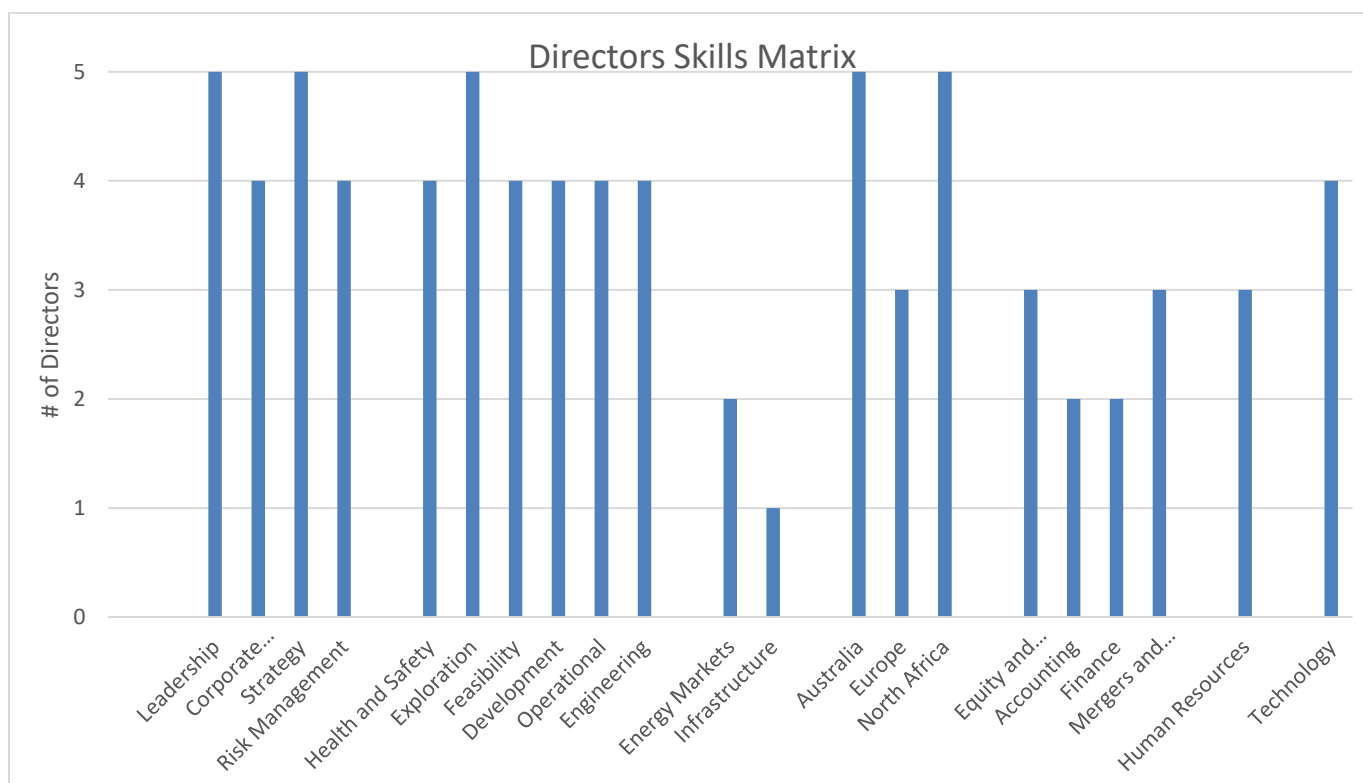
PRINCIPLES AND RECOMMENDATIONS		COMPLY	DISCLOSURE						
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.		The Company Secretaries report directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.						
1.5	A listed entity should: (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; (b) disclose that policy or a summary of it; and (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: (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 (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.		The Company’s Corporate Governance Manual includes a Diversity Policy, which provides a framework for establishing measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. Due to the size of the Company, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity. The Board continues to monitor diversity across the organisation and is satisfied with the current level of gender diversity within the Company. As at 31 December 2018, the proportion of women employees and consultants in the whole organisation, women in senior executive positions and women on the Board are set out below: <table><tr><td>Whole organisation</td><td>4 out of 10 (40%)</td></tr><tr><td>Board, incl Company Secretaries</td><td>1 out of 7 (14%)</td></tr><tr><td>Senior Executive (excl Board)</td><td>0 out of 0 (0%)</td></tr></table> For this purpose, “Senior Executive” is defined as a member of Key Management Personnel as outlined in the Remuneration Report in the Company’s Annual Report. There are no senior executive positions outside of the Board. The Corporate Governance Manual, which includes the Diversity Policy, is available on the Corporate Governance page of the Company’s website.	Whole organisation	4 out of 10 (40%)	Board, incl Company Secretaries	1 out of 7 (14%)	Senior Executive (excl Board)	0 out of 0 (0%)
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1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		The Company’s Corporate Governance Manual includes a section on performance evaluation practices adopted by the Company. The Corporate Governance Manual, which includes the Board Charter, is available on the Corporate Governance page of the Company’s website. The review will include: (a) comparing the performance of the Board with the requirements of its Charter; (b) examination of the Board’s interaction with management; (c) the nature of information provided to the Board by management; and (d) management’s performance in assisting the Board to meet its objectives. No formal Board performance evaluations were undertaken during the 2018 year. These evaluations will be undertaken in the next few months. A formal review of the Board as a whole is currently being assessed by the Board.						

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1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	✓	All senior executives are subject to annual performance evaluations. There are no senior executive positions outside of the Board.
Principle 2: Structure the board to add value		
<i>A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.</i>		
2.1 The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose: (3) the charter of the committee. (4) the members of the committee; and (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 (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.	✓	The Board currently consists of an Executive Chairman, Executive CEO and three non-executive Directors Because of the size of the Company and the size of the Board, the Directors do not believe it is appropriate to establish a separate Nomination Committee. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the web. The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

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2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board is currently has or is looking to achieve in its membership.	✓	The Board Charter provides that the Board will regularly review the appropriate mix of skills and expertise to facilitate successful strategic direction. In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgment, to commit the necessary time to fulfill the requirements of the role effectively and to contribute to the development of the strategic direction of the Company. The Company provides details of each Director, such as their skills, experience and expertise relevant to their position in the Directors' Report in the Annual Report and also provides these details on its website. The graph below details the collective skills of the current Board The current collective experience, skills and attributes of the Board will be reviewed in conjunction with material changes to the Company's operating requirements and strategy. The Board is of the view that current Board possesses an appropriate mix of skills, experience and knowledge to enable the Board to discharge its responsibilities and deliver on corporate objectives and governance.



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2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship that might cause doubt about the independence as a director 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 (c) the length of service of each director.	✓	The independent directors of the Company during the Reporting Period were Mr Andrew Childs, Mr Robert Brown and Mr Philp Haydn-Slater. Mr Childs, Mr Brown and Mr Haydn-Slater were independent as they are non-executive directors who were not a member of management and who were free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment. Although Mr Brown provided consultancy services during the year, he was not involved in day-to-day management. The dates of appointment of each director are contained in the Directors' Report in the Annual Report.
2.4 A majority of the board of a listed entity should be independent directors.	✓	The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has five Directors, with three directors as independent. The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making
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.	✗	The Chair of the Board, Mr Tchacos is not an independent director. The Board elected the Chairman to act as an Executive Chairman (on a part-time interim role) after the removal of ADX's Managing Director in September 2015. This decision was taken to provide continuity, experience and source suitable skills on a part time basis necessary to pursue the Company's current goals and strategic objectives. The roles of Chairperson and Chief Executive Officer are not held by the same individual.
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.	✓	An informal induction is provided to all new directors, which includes meeting with technical and financial personnel to understand ADX's business, including strategies, risks, company policies and health and safety. All directors are required to maintain professional development necessary to maintain their skills and knowledge needed to perform their duties. In addition to training provided by relevant professional affiliations of the directors, additional development is provided through attendance at seminars and provision of technical papers on industry related matters and developments offered by various professional organisations, such as accounting firms and legal advisors.

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Principle 3: Act ethically and responsibly			
<i>A listed entity should act ethically and responsibly.</i>			
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.		The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. The Code of Conduct embraces the values of: • Integrity • Transparency • Excellence • Commercial Discipline The Board encourages all stakeholders to report unlawful/unethical behaviour and actively promotes ethical behaviour and protection for those who report potential violations in good faith.
Principle 4: Safeguard integrity in financial reporting			
<i>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</i>			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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 (b) if it does not have an audit committee, disclose that fact and the processes it employs that 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.		Due to the limited size of the Company and of its operations and financial affairs, the use of a separate audit committee is not considered appropriate for ADX. In addition to managements accountability referred to above, the Board assures integrity of the financial statements by: (a) reviewing the Company's statutory financial statements to ensure the reliability of the financial information presented and compliance with current laws, relevant regulations and accounting standards; (b) monitoring compliance of the accounting records and procedures, in conjunction with the Company's auditor, on matters overseen by the Australian Securities and Investments Commission, Australian Stock Exchange Limited ("ASX") and Australian Taxation Office; (c) ensuring that management reporting procedures, and the system of internal control, are of a sufficient standard to provide timely, accurate and relevant information as a sound basis for management of the Group's business; (d) reviewing audit reports and management letters to ensure prompt action is taken by the Company's management; and (e) When required, nominating the external auditor and at least annually reviewing the external auditor in terms of their independence and performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged. Where appropriate, the Audit Partner responsible for the audit of the Company may be invited to attend Board meetings.

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4.2	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.	☒	The CEO and CFO declaration is provided to the Board prior to the sign-off of the full-year financial statements, the half-year financial statements and each quarterly report.
4.3	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.	☒	The Company invites the auditor to attend its AGM to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

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 the policy or a summary of it.	☒	The Board has a Market Disclosure Policy to ensure the compliance of the Company with the various laws and ASX Listing Rule obligations in relation to disclosure of information to the market. The CEO is responsible for ensuring that all employees are familiar with and comply with the policy. ADX is committed to: (a) ensuring that shareholders and the market are provided with timely and balanced information about its activities; (b) complying with the general and continuous disclosure principles contained in the Australian Stock Exchange Limited ("ASX") Listing Rules and the Corporations Act 2001; and (c) ensuring that all market participants have equal opportunities to receive externally available information issued by ADX.
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Principle 6: Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

6.1	A listed entity should provide information about itself and its governance to investors via its website.	☒	The Company's website provides information about itself and its governance for investors.
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6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	☒	The Company places significant importance on effective communication with shareholders. The Company has adopted a Shareholder Communications Strategy which can be accessed from ADX's website. Information is communicated to shareholders through the annual and half yearly financial reports, quarterly reports on activities, announcements through the Australian Stock Exchange and the media, on the Company's website and through the Chairman's address at the annual general meeting. After the Annual General Meeting, the Board provides shareholders with a presentation. Afterwards all directors are available to meet with any shareholders and answer questions. Shareholders are encouraged to contact the Company through the Contact section on ADX's website to submit any questions via email, or call. ADX's website provides communication details for its Share Registry, including an email address for shareholder enquiries direct to the Share Registry. In addition, news announcements and other information are sent by email to all persons who have requested their name to be added to the email list.
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.	☒	The Company encourages security holders to attend and participate in general meetings. Refer also to 6.2 above.
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.	☒	ADX's website provides communication details for its Share Registry, including an email address for shareholder enquiries direct to the Share Registry. This is found on ADX's website under Investors > Investor Centre. In addition, news announcements and other information are sent by email to all persons who have requested their name to be added to ADX's email distribution list. If requested, the Company will provide general information by email. The Company's share registry also provides security holders with the option to receive communications electronically.

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Principle 7: Recognise and manage risk <i>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</i>			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director; and disclose: (3) the charter of the committee; (4) the members of the committee; and (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 (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.	☒	Due to the size of the Company, no formal risk management policy is in place. Risks to the Company are reviewed at regular Board meetings as necessary and during any reviews of operating and strategic plans. The Company employs executives and retains consultants each with the requisite experience and qualification to enable the Company to manage the risks to the Company. The Board is responsible for satisfying itself that risk management is effective and as a result, executives and consultants are asked to report to the Board when requested. Any significant key risks identified by the Board are discussed to: (a) determine the impact upon the achievement of the Company's goals and objectives; (b) implement strategies to minimize or mitigate the risk; and (c) monitor and assess the effectiveness of risk management and internal compliance and control.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	☐	The Board meets on a regular basis to discuss the operating activities of the Company. As part of this, all risks are considered including but not limited to strategic, operational, legal, reputation and financial risks. This is an on-going process rather than a formal annual review. The Board has drafted a Risk Management Policy in February 2019 and is currently drafting a formal risk register.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; and (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.	☒	Due to the size of the Company, the Board does not consider it necessary at this time, to formally implement an internal audit function. The Board continually monitors the risk management and internal control processes adopted by the Company to ensure they are appropriate to the operations of the Company. The Board is satisfied with the current level of risk, risk management and control monitoring processes currently in place for the Company.
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.	☒	Significant risks identified include loss of a significant project licence, default of a JV partner, failure to raise future capital, country instability, failure of a development project, and no exploration success. Risks to the Company are reviewed at regular Board meetings as necessary and during any reviews of operating and strategic plans.

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Principle 8: Remunerate fairly and responsibly <i>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.</i>			
8.1	The board of a listed entity should: (a) have a remuneration committee, which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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 (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.	☒	Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered efficient for ADX. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and payments are provided to shareholders in the remuneration report in the Directors Report and on the web.
8.2	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.	☒	Remuneration policies for the Company's Non-Executive Directors, Executive Directors and senior executives is set out in the Company's Remuneration Report (which forms part of the Directors' Report) in the Company's Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	☒	The Company has a Directors' Share Plan to allow Directors to salary sacrifice part of their fees into shares (subject to Shareholder approval each year). The Company also has a Performance Rights and Option Plan. The Executive Directors may also salary sacrifice into Options subject to Shareholder approval. Clearance from the Board must be received prior to entering into and margin loans or other financing transactions. This prohibition is contained in the Company's Securities Trading Policy, a copy of which is available on the Company's website.