

## AFRICAN ENERGY RESOURCES (GUERNSEY) LIMITED

### CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company currently has in place a corporate governance policy that has been posted on a dedicated corporate governance information section of the Company's website at [www.africanenergyresources.com](http://www.africanenergyresources.com).

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	<i>Lay solid foundations for management and oversight</i>	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	The Company's Corporate Governance Policy outlines the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director.
2.	<i>Structure the board to add value</i>	
2.1	A majority of the board should be independent directors.	Whilst the Company does not have a majority of independent directors, the directors consider that the current structure and composition of the Board is appropriate to the size and nature of the Company.
2.2	The chairperson should be an independent director.	It is acknowledged that the ASX recommends that the Chairman should be an independent Director (as defined by ASX). It is the Board's view, however, that the current Chairman (Mr Alasdair Cooke) remains the most appropriate person to fulfil this role in the best interests of the Company and its shareholders.
2.3	The roles of chairperson and chief executive officer	The Company does not currently have a Chief Executive Officer. It has an Executive Director which, for practical purposes, is the same role as Chief Executive Officer. The

	should not be exercised by the same individual.	Executive Director (Mr Bill Fry) and Chairman (Mr Alasdair Cooke) are different people.
2.4	The board should establish a nomination committee.	The role of the Nomination Committee has been assumed by the full Board operating in accordance with the Company's policy on nominations.  Where necessary, the nomination committee seeks advice of external advisers in connection with the suitability of applicants for Board membership.
2.5	Provide the information indicated in Guide to Reporting on Principle 2.	The Company will provide details of each director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its future annual reports.  The Corporate Governance Policy has been posted on the Company's website.
<b>3.</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:  (a) the practices necessary to maintain confidence in the company's integrity; and  (b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company proposes to adopt a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment.  The Corporate Governance Policy has been posted on the Company's website.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	The Company's current corporate governance policy includes guidelines for buying and selling securities in the Company.  The Corporate Governance Policy has been posted on the Company's website..

3.3	Provide the information indicated in Guide to Reporting on Principle 3.	The Company will explain any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 in its future annual reports.  The Corporate Governance Policy has been posted on the Company's website.
4.	<b>Safeguard integrity in financial reporting</b>	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports 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.	The Board requires the Executive Director and Chief Financial Officer (or their equivalent) to make such a statement at the relevant time of signing off on the Company's financial reports.
4.2	The board should establish an audit committee.	The role of the Audit Committee has been assumed by the full Board operating under the Company's Corporate Governance Policy.
4.3	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	The role of the Audit Committee has been assumed by the full Board operating under the Company's Corporate Governance Policy.  Whilst not in accordance with the best practice recommendation, the Company is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are addressed and actioned.
4.4	The audit committee should have a formal charter.	The Company proposes to adopt a formal charter for the Board to operate under.
4.5	Provide the information indicated in Guide to Reporting on Principle 4.	The Company will provide details of the departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 and 4.5 (if any) in its future annual reports.  The Corporate Governance Policy has been posted on the Company's website.

<b>5.</b>	<b>Make timely and balanced disclosure</b>	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position.
5.2	Provide the information indicated in Guide to Reporting on Principle 5.	The Company will provide an explanation of any departures from best practice recommendations 5.1 and 5.2 (if any) in its future annual reports.  The Corporate Governance Policy has been posted on the Company's website.
<b>6.</b>	<b>Respect the rights of shareholders</b>	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company's Corporate Policy includes a continuous disclosure policy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	The Board will request the external auditor to attend all future annual general meetings of the Company to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
<b>7.</b>	<b>Recognise and manage risk</b>	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:  (a) the statement given in accordance with best	The Board will consider whether it is appropriate to require the Executive Director and Chief Financial Officer (or their equivalents) to provide such a statement at the relevant time.

	<p>practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and</p> <p>(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>	
7.3	<p>Provide the information indicated in Guide to Reporting on Principle 7.</p>	<p>The Company will provide an explanation of any departures from best practice recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports.</p> <p>The Corporate Governance Policy has been posted on the Company's website.</p>
8.	<p><b>Encourage enhanced performance</b></p>	
8.1	<p>Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.</p>	<p>The Board will conduct a performance review of itself on an ongoing basis throughout the year. The small size of the Company and hands on management style requires an increased level of interaction between directors and executives throughout the year. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Company.</p>
9.	<p><b>Remunerate fairly and responsibly</b></p>	
9.1	<p>Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.</p>	<p>The Company has developed a remuneration policy which deals with these matters.</p>
9.2	<p>The board should establish a remuneration committee.</p>	<p>The role of the Remuneration Committee has been assumed by the full Board.</p>

9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	<p>Non-executive directors are paid a set fee of \$35,000 per annum. Non-executive directors do not receive performance based bonuses nor are they entitled to retirement allowances.</p> <p>The Company's Memorandum and Articles of Association provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration is proposed to be set at an amount of \$300,000 per annum.</p>
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	<p>The Company has no intentions in relation to payment of equity based executive remuneration at this time.</p>
9.5	Provide the information indicated in Guide to Reporting on Principle 9.	<p>The Board will consider what information to include in the corporate governance section of the Company's annual report in respect of remuneration policies at the relevant time.</p> <p>The Company does not currently have in existence any schemes for retirement benefits.</p> <p>The Company will explain any departures from best practice recommendations 9.1, 9.2, 9.3 and 9.4 in its future annual reports.</p>
10.	<b>Recognise the legitimate interests of stakeholders</b>	<p>The Company proposes to establish a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.</p>