

Corporate Governance

Compliance with the UK Corporate Governance code

Under the AIM Rules, the Company is not formally required to comply with the UK Corporate Governance Code (the "Code"). Nevertheless the Company has taken steps to comply with the Code in so far as it can be applied practically, given the size of the Company and the nature of its operations. The following sets out the extent to which the Code has been adopted within the Company.

The Company has complied with the provisions set out in Section 1 of the FRC code as annexed to the listing rules of the Financial Services Authority since its admission to the AIM market of the London Stock Exchange in August 2003, to the extent that they are practical for a Group of its size and resources. The directors consider that the Group is not of a size to warrant the need for a separate nominations committee or internal audit function.

Board of directors

The Board currently comprises two executive directors and two non-executive directors. The executive directors are: Rufus Short (CEO) and Mark Pryor (COO). The non-executive directors are Jeffrey Malaihollo (Chairman) and Arun Srivastava.

An agreed procedure exists for Directors in the furtherance of their duties to take independent professional advice. With the prior approval of the Chairman, all Directors have the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as Directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient. Newly appointed Directors are made aware of their responsibilities through the Company Secretary. The Company does not make any provision for formal training of new Directors.

Responsibilities of members of the Board of Directors

The Board of Directors of Edenville Energy PLC monitors the business affairs of the company on behalf of shareholders. The Board is responsible for overseeing the strategic direction of the Company, monitoring the performance of the Company's assets and assessing opportunities for and risks affecting the Company's business and assessing means to effectively deal with the same.

In addition to those matters that must be approved by the Board of Directors by law, significant business activities and actions proposed by the Company are subject to Board approval. In particular the Board will approve annual capital and operating budgets, strategic aims, major changes in the organisational structure of the Company, annual and interim financial statements, major acquisition and disposal transactions, major financing transactions involving the issuance of shares, debt securities and the like, major banking transactions, long term contracts with significant cumulative financial commitments, appointment of senior executive officers, benefit plans, stock option plans, issuance of stock options and succession plans.

The Board is also responsible for monitoring the activities of the executive management.

The Directors recognise the need for implementing good corporate governance with the highest standards of behaviour and accountability. All Directors are expected to bring an independent judgement to bear, and to take decisions objectively in the interests of the Company. If directors have concerns about the way the Company is being run or about any course of action that is proposed, they must ensure that such concerns are recorded.

Conflicts of interest

The Board confirms that it has instituted a process for reporting and managing any conflicts of interest held by Directors. Under the Company's Articles of Association, the Board has the authority to approve such conflicts.

Company materiality threshold

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change. As well as the applicable laws and recommendations, the Board has considered quantitative, qualitative and cumulative factors when determining the materiality of a specific relationship of Directors.

Ethical standards

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders
- compliance with laws and regulations
- relations with customers and suppliers
- ethical responsibilities
- employment practices
- responsibility to the environment and the community.

Board meetings

The Board meets on average every two months and has regular conference calls. Decisions concerning the direction and control of the business are made by the Board, and a formal schedule of matters specifically reserved for the Board is in place.

Generally, the powers and obligations of the Board are governed by the UK Companies Act 2006, and the other laws of the jurisdictions in which it operates. The Board is responsible, inter alia, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders. These areas are set out in more detail in a formal Schedule of Matters Reserved for the Board.

Board committees

There are two board committees, namely the Audit and Remuneration committees consisting of Jeffrey Malaihollo and Arun Srivastava. During the year the audit committee and the remuneration committee did not operate and all relevant matters were dealt with by the full Board. Moving forward, the intention is for these two committees to operate as follows:

Audit committee

Jeffrey Malaihollo is Chair of this committee.

The Committee provides a forum for reporting by the Group's external auditors. Meetings are held on average once a year and are also attended, by invitation, by the executive Directors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the Board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

Remuneration committee

Jeffrey Malaihollo is Chair of this committee.

The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The

Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes, compensation payments and option schemes. The Board itself determines the remuneration of the Non-Executive Directors.

Relations with shareholders

Investors are encouraged to participate in the Annual General Meeting and are regularly advised of any significant developments in the Company. The Company expects to widen its investor base and then meet regularly with any significant institutional shareholders, fund managers and analysts as part of an active investor relations programme to discuss long term issues and obtain feedback.

Internal financial control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. Due to the relatively small size of the Group's operations, the Directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group.

Managing business risk

The Board constantly monitors the operational and financial aspects of the company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels
- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate
- Inform investors of material changes to the company's risk profile.

Ongoing review of the overall risk management program (inclusive of the review of adequacy of treatment plans) is conducted by external parties where appropriate. The Board ensures that recommendations made by the external parties are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the key risks identified.