

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

This statement explains how Resources & Energy Group Limited (REZ or the Company) addresses the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations - 3rd Edition' (referred to as the ASX Recommendations)

The Board of REZ acknowledges the ASX Recommendations, however in view of the Company's current size and extent of the nature of operations, full adoption of the recommendations is currently not practical. The Board will continue to work towards full adoption of the ASX Recommendations in line with growth and development of the Company.

A summary of the current corporate governance practices as adopted by the Board is set out below that were applicable during the 2016 financial year and subsequently. Where the Company's framework was different to the ASX Recommendations, it has been noted. Subsequent to the end of the 2016 financial year a number of changes have been made and these are also noted. Further, the Company's Corporate Governance Plan, which includes its Board Charter and other policy documents, have been updated and are attached to this statement. A copy of these documents has also been placed on the Company's website in the Investor Centre governance section (refer www.rezgroup.com.au/investor-centre/).

This statement was approved by the Board on 30 September 2016.

Principle 1: Lay solid foundations for management and oversight

The Board of is responsible for its corporate governance and monitors its business affairs on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board of Directors carries out its responsibilities according to the following policies and processes:

- the Board should comprise at least three directors, with at least two being non executive directors;
- the Chairman of the Board should be a non executive director;
- the directors should possess a broad range of skills, qualifications and experience;
- the Board considers the mix of skills and the diversity of board members;
- the Board should meet at least on a quarterly basis; and
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

The primary responsibilities of the Board include:

- the approval of the annual and half yearly financial report;
- the establishment of long term goals for the Company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a quarterly basis;
- ensuring that the Company has implemented adequate internal controls together with the appropriate monitoring of compliance activities; and
- ensuring that the Company is able to pay its debts as and when they fall due.

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Principle 2: Structure the Board to add value

The Board reviews its membership regularly to ensure that it has available for its activities an appropriate mix of skills. The Board also seeks to ensure that it has a number of independent, non-executive directors who can challenge executive directors and hold them to account. A publicly disclosed board skills matrix (refer below) sets out the mix of skills and diversity that the board currently has, or is looking to achieve in its membership.

To fulfil the function of the Board and to govern the business effectively, Board members need to be able to contribute to the development of strategy and assess the performance of management. In addition, as a Company, the Board must have a mix of skills and experience in:

- corporate governance;
- business strategy;
- executive leadership;
- financial acumen; and
- the resources sector, with a particular focus on mining exploration and evaluation.

The following table provides more detail on the key skills and experience that the Company requires from its Board, and the extent to which these attributes are currently represented on the Board.

Skills and experience	Number of directors with relevant attributes
Corporate governance expertise Commitment to the highest standards of governance and an ability to assess the effectiveness of senior management.	4 directors
Strategy skills Skills in developing and implementing successful business strategy, including appropriately overseeing management on the delivery of agreed strategic planning objectives.	4 directors
Executive leadership experience Successful career with experience at a very senior executive level.	4 directors
Financial acumen Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.	2 directors
Relevant industry experience Senior executive experience in the mining or mining services sector, including in-depth knowledge of the Company's strategy, markets, competitors, operational issues, technology and regulatory concerns.	2 directors

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Skills and experience	Number of directors with relevant attributes
Health, safety and environmental management skills	
Experience related to workplace health and safety, environmental and social responsibility, and community.	2 directors
Remuneration management skills	
Relevant experience in relation to remuneration setting including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration.	4 directors

The Company discloses the experience and background of each of its directors in its Annual Report.

The function of the Chairman and the other directors are separate. The Chairman undertakes all induction of new directors and regularly reviews the skills of each director and arranges professional development where necessary.

The Company Secretary reports to the Chair on all matters concerning the Board's activities and responsibilities, including the:

- advising the Board and its committees on governance matters;
- monitoring that Board and committee policy and procedures are followed;
- timely completion and despatch of Board and committee papers;
- ensuring business at Board and committee meetings is accurately captured in the minutes;
- assist with the induction and professional development of directors.

Due to the Company's current size and extent of nature of operations, the following departures from the ASX Recommendations have occurred:

- the majority of the Board should be independent. During most of the financial year the Board consisted of two non Executive Directors and one Executive Director. However one of the executive directors, Mr Richard Poole, is also the principal of Arthur Phillip Pty Limited a material adviser to the Company in the past 5 years, and is not considered independent;
- since the resignation of Mr Michael Hogg (in August 2016) , the Company doesn't have a majority of independent directors. There are two executive directors (non-independent) and two non-executive directors (independent). However the Chairman, who is independent has a casting vote in the event that there is a difference of view between the independent and executive directors; and
- some directors do not have written engagement letters, as their appointment dated from a period prior to the implementation of that policy. The Company is in the process of updating all director engagement letters.

The Board is committed to having an appropriate blend of diversity on the Board. It recognises the benefits arising from Board diversity and the importance of benefiting from all available talent. Accordingly, the Company has established a diversity policy.

The policy outlines requirements for the Board to develop measureable objectives for achieving diversity and annually assess both objectives and the progress in achieving those objectives. According, the Board has developed an objective regarding gender diversity of at least one third female directors or employees as director and senior executive positions as they become available. This goal was achieved for most of the financial year in respect of Board representation.

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

With the prior approval of the Chairman, each Director has the right to seek independent legal and 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.

Principle 3: Act ethically and responsible

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

Specifically, that Directors, officers and employees must:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

The Company's policy regarding Directors and employees trading in its securities is set by the Audit and Risk Committee. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Principle 4: Safeguard integrity in corporate reporting

During the financial year the Board had an Audit and Risk Committee consisting of the following Directors:

- Mr Richard J Poole (Chairman); and
- Mr Michael Hogg

The names and qualifications of the Directors in the Audit and Risk Committee and the number of meetings are disclosed in the Directors Report.

The Audit and Risk Committee provides a forum for the effective communication between the Board and the external auditors. The Committee reviews:

- the annual and half yearly financial report prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the external audit function.

The Audit and Risk Committee invites other Directors and external auditors to attend committee meetings on occasion. The Audit and Finance Committee also meets with external auditors, as necessary, concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

The Audit and Risk Committee requests the Company's external auditor attend the annual general meeting and be available to answer shareholder questions about conduct of the audit, and the preparation and content of the auditor's report.

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Due to the Company's current size and nature of operations, the following departures from the ASX Recommendations have occurred:

- the Audit and Risk Committee should consist of three members, the majority being independent and the Chairperson being independent and not the Chairperson of the Board. During most of the financial year the committee only consists of two members, with one not considered independent; and
- the Audit and Risk Committee should have a formal charter. Such a charter was previously not considered necessary for the proper function of the committee given its composition and that of the Board.

Since the end of the financial year, upon the resignation of Mr Michael Hogg, the Board decided that the functions of the Audit and Risk committee should be assumed by the full board until the company had further progressed its development. Further, since the end of the financial year the Board's Charter and other governance aspects including the Charter for the Audit and Finance Committee have been updated and released to the ASX.

Principle 5: Make timely and balance disclosure

The Board and Company Secretary are appointed as the parties responsible for communications with the ASX. They are also responsible for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX.

The Board is responsible for the communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings. The Company adheres to best practice in its preparation of notices of meetings to ensure all shareholders are fully informed.

Principle 6 : Respect rights of security holders

As part of the Board's commitment to the highest standards 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; and
- responsibilities to the environment and the community.

Since the end of the financial year the Board's Charter and other governance aspects including the Code of Conduct have been updated and released to the ASX.

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Principle 7: Recognise and manage risk

The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operation and financial aspects of the Company's activities and considers the recommendations and advice of external auditors and other external advisers on the operations and financial risks that face the Company .

The Board ensures that recommendations made by the external auditors and other external advisers 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.

In addition, the Board investigates ways of enhancing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

Due to the Company's current size and extent of operations, the following departures from the ASX Recommendations have occurred during the financial year:

- the Company did not have a Chief Financial Officer and therefore statements were not for the 2015 financial year; and
- the Company does not have an internal audit function, as it is not appropriate for the stage of development of its activities.

Since the end of the 2016 financial year a Chief Financial Officer has been appointed.

Principle 8: Remunerate fairly and responsibly

Due to the size of the Company and its limited activities in respect of employment and Board changes, during the most of the financial year the Board operated a joint Remuneration Committee/Nomination Committee consisting of the following Directors:

- Mr Richard J Poole (Chairman); and
- Mr Michael Hogg

The Remuneration/Nomination Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an as needed basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Remuneration Nomination Committee occasionally seeks the advice of external advisors in connection with the structure of remuneration packages.

Executive Directors remuneration packages may comprise of:

- salary and associated superannuation;
- fixed directors fees; and
- performance based bonuses.

Non-Executive Directors previously received fixed directors fees only, and did not participate in any performance-based remuneration. The Chairman, Mr Gavin Rezos was awarded share options during the financial year as detailed in the 2016 Annual Report.

RESOURCES & ENERGY GROUP LIMITED

CORPORATE GOVERNANCE STATEMENT

Fixed directors fees may be paid in the form of cash, share options or a combination of both. Share options are issued on similar terms to previous issues by the entity and are considered to be in lieu of cash, not based on performance of the entity.

Full remuneration disclosure, including superannuation entitlements, and the number of meetings of the Remuneration/Nomination Committee is provided by the Company in the Remuneration Report contained in the Directors Report. The Remuneration/Nomination Committee ensures that all equity based executive remuneration is made within the guidelines set by plans approved by Shareholders.

The Remuneration/Nomination Committee considers the appointment and retirement of Non-Executive Directors on a case by case basis. In doing so, the Board must take into account the requirements of Listing Rules and the Corporations Act 2001. Currently all Directors are required to be re-elected at least every three years, and at least one-third of Directors must retire at each Annual General Meeting.

This process also includes ongoing evaluation of the performance of the Board and its individuals according to the goals, objectives and primary responsibilities of each director as outlined in the Board of Directors Section.

Due to the Company's current size and extent of nature of operations, the following departures from the ASX Recommendations have occurred:

- the Remuneration/Nomination Committee should consist of three members, the majority being independent and chaired by an independent person. The Committee only consists of two members and as outlined in the Board of Directors section, the Directors are not considered to be independent.
- the Remuneration/Nomination Committee should have a formal charter. Such a charter was previously not considered necessary for the proper function of the committee given the composition of Remuneration/Nomination Committee and Board.

Since the end of the financial year, upon the resignation of Mr Michael Hogg, the Board decided that the functions of the Remuneration and Nomination Committee should be assumed by the full board until the company had further progressed its development. Further, since the end of the financial year the Board's Charter and other governance aspects including the Charter for the Remuneration/Nomination Committee have been updated and released to the ASX.