

CORPORATE GOVERNANCE STATEMENT

IPSA GROUP PLC

INTRODUCTION

The Company is committed to applying high standards of corporate governance, integrity and business ethics to all activities. Whilst the Company is not required by the rules of AIM to comply with the UK Corporate Governance Code (June 2010) (“the Code”), the Board is accountable to the Company’s shareholders for good corporate governance and has therefore taken steps to aspire to compliance with the Code in so far as is practicable as a smaller company.

The Company’s primary listing is on the AIM market of London Stock Exchange and as a result, the Group is exempt from complying with the requirements of the King Code of corporate governance in South Africa.

THE BOARD OF DIRECTORS

The Group supports the concept of an efficient and effective Board managing the Company in an entrepreneurial manner. The Board is responsible for overall direction and management of the Company, senior appointments, strategic or policy considerations, capital transactions, finance and general matters. It meets regularly and has a schedule of matters specifically reserved to it which include raising new capital, entering into financing facilities for projects, treasury policies and approval of annual operating budgets and monitoring key risks. The Board met fourteen times during the eighteen month period ending 31 March 2011. Management supplies the Board with such appropriate and timely information as they consider necessary and the Directors are free to seek external advice as they consider necessary.

The Board consists of four executive Directors and four non-executive Directors. Richard Linnell, the Chairman of the Board, who is also chairman of Coal of Africa PLC, and Neil Bryson are regarded under the Code as independent non-executive Directors. Rizelle Sampson has an indirect interest in the shares of the Company through Amandla Energy being circumstances which may appear to impact her independence. Neil Bryson is regarded as the senior independent Director and has been appointed to all the committees of the Board and is regularly consulted at a senior level on business operations and strategy. Peter Earl was formerly the Chief Executive Officer of the Company.

All Directors are involved in significant decisions. The Chief Executive Officer, Phil Metcalf, leads the executive Directors with particular regard to the protection and enhancement of shareholder value, project financing arrangements, government and public relations and dialogue with shareholders. Elizabeth Shaw has responsibility for the day-to-day operations of the Group, Michael Cox has responsibility for financial matters and Mike Eyre has responsibility for technical operations and engineering matters. He was appointed Acting General Manager of NewCogen, the Company’s wholly-owned subsidiary, in April 2011.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognises their interest in the Group’s strategy and performance, Board membership and quality of management. It therefore holds regular meetings with its institutional shareholder to discuss objectives.

The Annual General Meeting (“AGM”) is used to communicate with private investors and they are encouraged to participate. The Chairman of each of the Audit, Remuneration and Nominations Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands. The Company also maintains its website to assist in communication with investors.

ACCOUNTABILITY AND AUDIT

The Board seeks to present a balanced and understandable assessment of the Group’s position and prospects in all interim and price-sensitive reports, reports to regulators and the information required by statute.

The Audit Committee comprises Richard Linnell and Neil Bryson, who are both non-executive Directors. Neil Bryson is the Chairman of the Audit Committee.

The terms of reference of the Audit Committee include keeping under review the scope and results of the external audit and its cost effectiveness. The Committee reviews the independence and objectivity of the external auditors.

This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

INTERNAL CONTROL

The Board of Directors has overall responsibility for the Group’s systems of internal control and for reviewing its effectiveness. The risk management process and the systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group’s objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against misstatement or loss. The Board considers that there have been no substantial weaknesses in internal controls resulting in material loss, contingencies or uncertainties and thus disclosable in the accounts.

ASSESSMENT OF BUSINESS RISK

A system of business risk identification, assessment and evaluation is in place within the management process throughout the Group. Strategic risks are regularly reviewed by the Board. Risk relating to the key activities within the subsidiary operation units is assessed continuously by their respective Boards of Directors.

CONTROL ENVIRONMENT

The Group’s operating procedures include a comprehensive system for reporting financial and non-financial information to the Board including:

- preparation and review of annual budgets; and
- review of the business at each Board meeting, focusing on any new risks arising (for example key changes in the market).

CONTROL PROCEDURES

Detailed operational procedures have been developed to safeguard shareholders' investments and the Company's assets that embody key controls and these are reviewed annually by the Board. The implications of changes in law and regulations are taken into account within these procedures.

HEALTH SAFETY AND ENVIRONMENTAL PROTECTION

The Group is committed to compliance with all relevant laws and regulations in the jurisdictions in which it operates. The operating subsidiary maintains and monitors regularly its health and safety procedures and the environment, cultural heritage and sustainability form a key component in project planning and operations.

MONITORING PROCESS

There are clear procedures for monitoring the system of key controls. The significant components are a review by the Audit Committee of the processes for identifying and assessing risk and the effectiveness of controls. The Board has considered the need for an internal audit function but has decided that is not justified at present. However, it will keep the decision under review on at least an annual basis.

DIRECTORS' REMUNERATION

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practise. The particulars of the remuneration of the Directors are set out in note 29 of the Annual Report 2011 and their interests in the shares of the Company are set out in the Directors' Report. The Remuneration Committee comprises Neil Bryson (Chairman) and Richard Linnell.

APPOINTMENT OF DIRECTORS

The Nominations Committee meets to make recommendations to the Board on all new Board appointments and comprises Richard Linnell and Neil Bryson.

The Board does not use an external consultancy in the appointment of Directors.

STATEMENT OF NON-COMPLIANCE

Due to her indirect shareholding, Rizelle Sampson may not be regarded as independent as defined by the Code. Peter Earl may also not be regarded as independent as defined by the Code since he was formerly an executive director of the Company.

Susan Laker

Company Secretary

15 September 2011