

Compliance with Governance Code

Following the recent consultation by the London Stock Exchange, new [AIM Rules](#) were published in March 2018. One of the key amendments is in respect of AIM Rule 26 (as set out in [AIM Notice 50](#)), which now requires AIM companies to state on their website which recognised corporate governance code they apply and how they have applied that code.

The Board of Directors of PetroNeft Resources Plc is committed, where practicable, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development. The Board of Directors seeks to apply the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies.

A revised version of the QCA Code (the "Revised Code") was published in April 2018, based on the 'comply or explain' principle.

The QCA Code is constructed around ten broad principles (accompanied by an explanation of what these principles entail, under 'application') and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies, and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

The table below sets out the principles, the application recommended by the QCA code. It then sets out how PetroNeft complies with these requirements and departures from code, and provides links to appropriate disclosures. These are based upon the recommended disclosures provided in the QCA code.

These disclosures were last reviewed on the 30 August 2018.



QCA PRINCIPLE	APPLICATION	HOW PETRONEFT COMPLIES	DEPARTURES AND REASONS	LINKS
DELIVER GROWTH				
1. Establish a strategy and business model which promote long-term value for shareholders	<p>The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.</p>	<p>The Board of Directors has clearly set out vision for PetroNeft for the medium to long term that it regularly sets out in communications with stakeholders.</p> <p>The Board of Directors meet on a regular basis to discuss the strategic direction of the Company, and progress in achieving against its aims.</p> <p>PetroNeft provides detailed disclosure on the Company's business model and strategy in the Annual Report.</p>	None	Annual Report
2. Seek to understand and meet shareholder needs and expectations	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>PetroNeft has a Board of Directors with experience in understanding the needs and expectations of its shareholder base. It supplements this board with professional advisers in the form of a Public Relations company, NOMAD, Joint Brokers, Auditor and Company Secretary who provide advice and recommendations in various areas of its communications with shareholders.</p>	<p>The Company does not currently have a dedicated investor relations role. The Board feels that this is appropriate given the size and stage of</p>	Annual Report



		<p>PetroNeft engages with shareholders in the following way:</p> <ul style="list-style-type: none"> - The Company website has been designed as a hub to provide information to shareholders and communicate with them. The website is regularly reviewed to ensure the information is up to date and relevant. The website contains copies of all Company communications and public documents. - The Company provides regular updates to the market via the Regulatory News Service. - The Company's Annual Report provides required information with regard to historical performance, strategy and objectives of the Company. An Annual General Meeting is held to which all shareholders are invited and may engage with the Board of Directors. - Contact details for the Company are provided on the Company website along with public documents. 	development of the Company.	
3. Take into account wider stakeholder and social responsibilities and their implications	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and</p>	<p>Key resources and relationships and on which the business relies are its workforce, suppliers, sub-contractors, shareholders, local community and regulatory authorities.</p> <ul style="list-style-type: none"> - Employees are encouraged to raise any concerns they may have with relevant management and are also provided with 	The Company does not have a formal feedback mechanism with respect to stakeholder	

<p>for long-term success</p>	<p>understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>independent contact should they not want to engage directly with their managers.</p> <ul style="list-style-type: none"> - The mechanisms for feedback from shareholders have been considered under point (2) above. - Feedback from regulators is provided via the regular framework of reporting and inspections that are carried out. 	<p>outside the Company.</p> <p>The board will keep this under consideration and put in place procedures when it is felt appropriate.</p> <p>External stakeholders can contact the Company via their key contact, or directly via the website.</p>	
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.</p> <p>Setting strategy includes determining the extent of exposure to the</p>	<p>PetroNeft recognises that risk is inherent in all of its business activities. Its risks can have a financial, operational, environmental or reputational impact. The Company's system of risk identification, supported by established governance controls, ensures that it effectively responds to such risks, whilst acting ethically and with integrity for the benefit of all of our stakeholders.</p>	<p>None</p>	<p>Annual Report</p>

	identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	Once identified, risks are evaluated to establish root causes, financial and non-financial impacts, and likelihood of occurrence. Consideration of risk impact and likelihood is taken into account to create a prioritised risk register and to determine which of the risks should be considered as a principal risk. The effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these will be identified and responsibilities assigned. The Company's management is responsible for monitoring the progress of actions to mitigate key risks. The risk management process is continuous; key risks are reported to the Audit Committee and at least once a year to the full Board.		
MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK				
5. Maintain the board as a well-functioning, balanced team led by the chair	The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board. The board (and any committees) should be provided with high quality information in a timely manner to	The Board has six directors, five of whom are non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses	None	

	<p>facilitate proper assessment of the matters requiring a decision or insight. The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.</p>	<p>issues relating to internal controls and risk management.</p> <p>The non-executive directors, David Golder, Thomas Hickey, Anthony Sacca, David Sturt are considered independent by the Board.</p> <p>The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually.</p> <p>The Board of Directors meet at least six times a year as a full board. The attendance at Board Meetings for the year ended 31 December 2017 can be found in the Annual Report for the year ended 31 December 2017.</p> <p>The board has appointed a number of subcommittees to assist in its activities.</p> <p>The terms of reference of the board committees are reviewed regularly and are available on the Company's website www.foxmarble.net.</p> <p>The Remuneration Committee consists of David Golder (Committee Chairman), David Sturt and Thomas Hickey. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration.</p>		
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6. Ensure that between them the directors have the necessary up-to-date experience,	The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender	The Board of PetroNeft has been assembled to allow each director to contribute the necessary mix of experience, skills and personal qualities to deliver the strategy of the company for the benefit of the shareholders over the medium to long term. Full details of the Board Members	None	Directors Biographies



<p>skills and capabilities</p>	<p>balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>and their experience and skills can be found by following the link opposite.</p> <p>Together the Board of Directors provide relevant quarrying and mining sector skills, the skills associated with running large public companies, technical skills, country experience and technical and financial qualifications to assist the Company in achieving its stated aims.</p> <p>The Directors keep their skillsets up to date through as required through the range of roles they perform and consideration of technical and industry updates.</p> <p>The Board has not sought external advice on any significant matter, apart from advice sought in the normal course of business from our auditors, lawyers and tax compliance advice. No external advisers have been engaged by the Board of Directors, except as noted above.</p> <p>The role of Company Secretary is fulfilled by Paul Dowling FCCA AITI and supports and advises the Board in its function.</p>		
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally,</p>	<p>PetroNeft has yet to carry out a formal assessment of board effectiveness.</p>	<p>PetroNeft has yet to carry out a formal assessment of board effectiveness.</p>	



	externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.		The board will keep this under consideration and put in place procedures when it is felt appropriate.	
8. Promote a corporate culture that is based on ethical values and behaviours	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the	Refer to corporate governance statement contained within the Directors' Report in the Annual Report for a full description of how the Board promotes a culture based on sound ethical values.	None	Corporate Governance Statement

	annual report, website and any other statements issued by the company			
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	Refer to corporate governance statement for a full description of the Corporate governance structures.	None	Corporate Governance Statement
BUILD TRUST				
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:</p>	Historical annual reports and other governance-related material, notices of all general meetings can be found on the website.	None	Annual Report

	<ul style="list-style-type: none">• the communication of shareholders' views to the board; and• the shareholders' understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).			
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