

**Corporate Governance Statement:****Deliver Growth (Principle One through Four and Principle Ten)****Principle One***Business Model and Strategy*

The Board has concluded that the highest medium and long term value can be delivered to its shareholders by the adoption of a strategy targeting two jurisdictions with different geological, fiscal and political risk profiles. The Company's interests encompass two geographical locations, Indonesia and the United Kingdom. The Company is actively engaged in all of its projects and is represented on the board of directors of Eagle Gas Limited in which it holds a strategic investment. The Company will continue to seek to grow its business organically and will seek out further complementary acquisitions that create enhanced value.

**Principle Two and Principle 10***Understanding Shareholder Needs and Expectations and Build Trust.*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company through its website.

The Company, through its public relations firm and its [info@andalasenergy.co.uk](mailto:info@andalasenergy.co.uk) email address, seek to provide communication lines through which private shareholders can engage with the Company. Investors also have access to current information on the Company through its website, [www.andalasenergy.co.uk](http://www.andalasenergy.co.uk).

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

**Principle Three***Considering wider stakeholder and social responsibilities*

The Board is aware that engaging with its stakeholders strengthens relationships and assists it to make better business decisions to deliver its commitments. The company's stakeholders include shareholders, members of staff, suppliers, contractors, regulators, and the surrounding communities where its projects are located.

The Board is regularly updated on wider stakeholder views and issues concerning its projects both formally at Board meetings and informally through conversations. Engagement in this manner enables the Board to receive feedback and equips them to make decisions affecting the business.

The Board recognises the importance of its social responsibilities concerning its investment decisions, and the Company will develop projects that seek to make a contribution to the development of communities in which they are located. In planning its activities, the Company will give consideration to evaluating the social impact of proposed developments with a view to promoting where possible local employment and the delivery of other local benefits, and mitigating negative impacts to the extent possible.

**Principle Four***Risk Management*

In addition to its other roles and responsibilities, the Audit and Remuneration Committees are responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company and to ensure that risk management is reflected in board remuneration.

The risk assessment matrix below sets out those risks, and identifies their impact and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit and Compliance Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal risks and controls to mitigate them have been identified:

Activity	Risk	Impact	Control(s)
<b>Management</b>	Recruitment and retention of key staff	Reduction in operating capability	Stimulating and safe working environment  Balance base salary with longer term incentive plans to align remuneration with shareholders.
<b>Regulatory adherence</b>	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company.
<b>Geological</b>	Hydrocarbons are not discovered	Reduction in asset value	Effective due diligence and technical screening
	Recoverable hydrocarbons are not produced in the quantities expected	Reduction in asset value	Portfolio strategy mitigates exposure to single asset  Reduce exposure by seeking to partner on Company projects.
<b>Strategic</b>	Damage to reputation	Inability to secure new capital	Effective and consistent communications with shareholders
<b>Financial</b>	Liquidity, market and credit risk	Inability to continue as going concern	Capital management policies and procedures
	Inappropriate controls and accounting policies	Reduction in asset values	Appropriate authority and investment levels.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the executive directors. However, the Board will continue to monitor the need for an internal audit function.

### **Maintain A Dynamic Management Framework (Principle Five through Nine)**

#### **Principle Five**

##### *A Well Functioning Board of Directors*

The Board comprises, the CEO Simon Gorringe, one further Executive Director, Ross Warner alongside two Non-Executive Directors, Dr Robert Arnott and Graham Smith. Executive and Non-Executive Directors are subject to re-election at the Company's annual general meeting at intervals of no more than three years. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Directors are expected to provide as much time to the Company as is required. The Board elects a Non-Executive Chairman to chair every meeting.

The Board meets at least six times per annum. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.

Dr Robert Arnott and Graham Smith are both considered to be Independent Directors, which creates a balance between executive and non-executive Directors. The Board shall review further appointments as scale and complexity grows.

*Attendance at Board and Committee Meetings*

The Company shall report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone.

**Principle Six***Appropriate Skills and Experience of the Directors*

The Board currently consists of five Directors and, in addition, the Company has employed the outsourced services of FIM Capital Limited to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries that is necessary to ensure the Company is equipped to deliver its strategy and notes that each of the Director's has experience in public markets. Full Biographies of the Board are available on the Company's website [www.andalasenergy.co.uk](http://www.andalasenergy.co.uk).

**Principle Seven***Evaluation of Board Performance*

Internal evaluation of the Board, the Committee and individual Directors is to be undertaken on an ad hoc basis in the form of peer appraisal and discussions to determine the effectiveness and performance in various as well as the Directors' continued independence. This process can be regular as part of the board meeting process or ad hoc when the Director or Board deem it necessary.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each Director and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

**Principle Eight***Corporate Culture*

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The Company maintains an open and respectful dialogue with employees, partners and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation.

**Principle Nine***Maintenance of Governance Structures and Processes*

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Non-Executive Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Non-Executive Chairman is responsible for the effectiveness of the Board together with the responsibility to oversee the company's corporate governance practices. The responsibility for the company's day-to-day operations has been delegated by the Board to the Chief Executive Officer. The Board has also

established Committees to oversee the effectiveness of its operations and to monitor that remuneration is aligned to their effective performance, which are detailed below.

*Audit Committee*

The Audit Committee is chaired by Dr Robert Arnott and he sits on the Committee alongside Graham Smith. This committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit and Compliance Committee shall meet not less than twice in each financial year and it has unrestricted access to the Company's auditors.

*Remuneration Committee*

The Remuneration is chaired by Dr Robert Arnott and he sits on the Committee alongside Graham Smith. The Remuneration Committee reviews the performance of the executive directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and the award of shares in lieu of bonuses pursuant to the Company's Remuneration Policy.

*Nominations Committee*

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

*Non-Executive Directors*

The Board has adopted guidelines for the appointment of Non-Executive Directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the Non-Executive Chairman and non-executive directors insofar as both the Non-Executive Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion, believing it to be in the best interests of the Company, be appointed for subsequent terms. The Non-Executive Chairman may serve as a Non-Executive Director before commencing a first term as Non-Executive Chairman.