

ADVANCE ENERGY PLC
(the “Company”)

Statement of Compliance with the QCA Corporate Governance Code

(The information contained in this document was last reviewed on 30 October 2020)

In addition to information given in this Statement the Board of Advance Energy Plc (the “Company”) are continually monitoring the position regarding the COVID-19 pandemic and will provide Company updates via the RNS service as appropriate.

Introduction

The Board of Advance Energy Plc fully endorses the importance of good corporate governance and applies the QCA Corporate Governance Code, published in April 2018 by the Quoted Companies Alliance (the “QCA Code”), which the Board believes to be the most appropriate recognised governance code for a company of the Company’s size with shares admitted to trading on the AIM market of the London Stock Exchange.

As Chairman, I am responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the major shareholders and ensuring appropriate strategic focus and direction for the Company.

Notwithstanding the Board’s commitment to applying the QCA Code, we will not seek to comply with the QCA Code where strict compliance in the future would be contrary to the primary objective of delivering long-term value for the Company’s shareholders and stakeholders. However, we do consider that following the QCA Code, and a framework of sound corporate governance and an ethical culture, is conducive to long-term value creation for the Company’s shareholders.

All members of the Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to the Company’s stakeholders. In the statements that follow, the Company explains its approach to governance in more detail.

Principle One

Business Model and Strategy

The board of directors of the Company (the “Board”) completed a strategic review announced on 4 March 2020 with a new strategy for the Company based on growth through acquisition or farm-in to non-operated interests in upstream projects where there is an opportunity to add significant value in the short to medium term.

Unlocking hidden value is the Company’s main objective - to the benefit of shareholders as well as our joint venture partners, host governments, and broader stakeholders.

Many upstream assets present challenges to existing operators. These difficulties may be technical in nature, mis-alignment in the partnership, suboptimal commercial arrangements, or simply funding constraints.

One, or a combination, of these issues can present the opportunity for realisation of added value. The Company looks to identify such assets and maximise their value using unique insights from original technical work, commercial acumen or advantaged relationships.

The Company seeks to take non-operated interests in joint ventures, ideally with only two parties, with the ability to exert a significant degree of influence.

The Company only works with established operators eliminating many of the execution risks present for typical early stage, high growth companies, and can focus on what really adds value rather than day-to-day operational concerns. There is no need to build a large and complex organisation, keeping overheads low and preserving value for shareholders.

Principle Two

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. The Company is required to hold an Annual General Meeting (“AGM”) in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action if and when necessary. Where voting decisions are not in line with the Company’s expectations the Board intends to engage with those shareholders to understand and address any issues as appropriate. Investors also have access to current information on the Company through its website.

Shareholders can engage with the Company through its email address info@advanceplc.com and @advanceplc on Twitter.

Investors also have access to current information on the Company through its website, www.advanceplc.com.

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 Board is responsible 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 Company's focus on near term value creation means it is easier to control risks, limiting exposure to long term commodity price trends, as well as the potential for value to be stranded as the result of a future changing world energy mix or climate change initiatives.

The Group's operations expose it to a variety of risks that include volatility of commodity prices, foreign currency volatility, operational risks, availability of finance and funding.

The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

Risk is monitored, assessed and managed by the Board as a whole who are responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

The Board identifies and evaluates financial risks in close co-operation with the managers who are a highly experienced team who can focus on the key issues to maximise value and de-risk Company projects.

The key risk factors for the Company are contained in pages 29-30 of the Company's 2020 Annual Report and Accounts ("2020 Accounts")

Principle Five

A Well Functioning Board of Directors

The Board comprises, Mark Rollins non-executive Chairman and director, Leslie Peterkin Chief Executive Officer and executive director, Stephen West Chief Financial Officer and executive director and Ross Warner non-executive director. Executive and Non-Executive Directors are subject to re-election at the Company's AGM in accordance with the Company's Articles of Association. 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.

All the Directors biographies are published on the Company's website and outlined below:

<https://www.advanceplc.com/about-us/board-management/>

The function of the Board is supported by an audit committee and a remuneration committee. These committees were formed and constituted on the 7 October 2020 by a Board resolution. The Company will monitor and review the need to form any further committees as required.

The Board has also agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. The Board shall review further appointments as scale and complexity grows.

The Board aims to hold monthly meetings. A schedule of attendance at Board meeting is outlined as follows:

Board Meetings Attendance

Board Meetings	Date	Simon Gorringe ¹	Graham Smith ²	Ross Warner	Robert Arnott ³	Mark Rollins ⁴	Leslie Peterkin ⁵
1	2 May 2019	X	X	X	-		
2	29 May 2019	X	X	X	-		
3	25 Jun 2019	X	X	X	-		
4	2 Jul 2019	X	X	X	-		
5	24 Sept 2019	X	X	X	X		
6	4 Oct 2019	X	X	X	X		
7	29 Oct 2019	X	X	X	X		
8	23 Dec 2019	X	X	X	-		
9	24 Dec 2019	X	X	X	-		
10	20 Jan 2020	X	-	X	X		
11	3 Feb 2020	X	X	X	X		
12	4 Feb 2020	X	X	X	X		
13	7 Feb 2020	-	X	X	-	X	X
14	10 Mar 2020	-	X	X	-	X	X
15	7 Apr 2020	-	X	X	-	X	X

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

The Board currently consists of four Directors. On the 4 February 2020, the Company announced Board changes, with the appointment of Mark Rollins as the non-executive Chairman and Leslie Peterkin as the Chief Executive Officer and executive director. On the same day Simon Gorringe and Robert Arnott stepped down from their roles as CEO and Chairman respectively.

Furthermore, on the 1 June 2020, the Company announced a further Board re-organisation with the appointment of Stephen West as the Chief Financial Officer and executive director and the resignation of Graham Smith as non-executive director of the Company.

The Board believes that the current balance of skills of the Directors 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.

The Directors keep their knowledge and expertise current through their intensive involvement in industry affairs. Additionally, the Directors receive ad hoc guidance on certain matters concerning the AIM Rules for Companies from the Company's Nomad as well as receiving updates on the regulatory environment from FIM Capital Limited ("FIM").

Full Biographies of the Board are available on the Company's website www.advanceplc.com

¹ Resigned 4 Feb 2020

² Resigned 1 June 2020

³ Resigned 4 Feb 2020

⁴ Appointed 4 Feb 2020

⁵ Appointed 4 Feb 2020

The Company has engaged the outsourced services of FIM to provide Company secretarial, specialist administration and accounting services to the Company.

Aside from FIM performing the role of Company Secretary, administrator and accountant, the Board does not have any other particular internal advisory responsibilities.

On the 4 February 2020 the Company announced the appointment of John Batrick as the Company's Technical Manager. John is a geoscientist and has worked in the E&P sector for five decades for a number of international oil companies.

On the 1 May 2020 the Company announced that it had entered into a Master Service Agreement with Xodus Group Limited ("Xodus") for technical and advisory services. Xodus provides engineering and advisory services to clients in the oil and gas, LNG, renewables and utilities industries worldwide and provides evaluation and due diligence work related to ongoing Company projects.

Principle Seven

Evaluation of Board Performance

There is no formal Board or director evaluation system in place, however, there is an internal evaluation of the Board and individual directors undertaken on an ad hoc basis in the form of peer appraisal and discussions to determine the effectiveness and performance 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 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 importance 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 put policies in place that communicate disciplinary policies clearly; ensures every employee knows the consequences of unethical behaviour; ensures its employees can report misconduct anonymously and has a confidential complaint process in place.

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 and the respective responsibilities of the Non-Executive Chairman. 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.

As previously stated in Principle 5 above, the Board formed an audit committee and remuneration committee on 7 October 2020. In view of the size of the Company, it was deemed unnecessary to form a nominations committee at this time. Instead, the Board as a whole carries out the duties that would sometimes be delegated to a Nominations Committee. The Company will monitor and review the need to form a Nominations Committee to support the function of the Board.

Role of the Audit Committee: the Audit Committee comprises Ross Warner, as Chairman and Mark Rollins. The Audit Committee receives and reviews reports from management and from Lubbock Fine relating to the interim and annual accounts and to the system of internal financial control.

The Audit Committee is responsible for assisting the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of Lubbock Fine, the regulation and risk profile of the Group and the review and approval of any related party transactions. The Audit Committee may hold private sessions with management and Lubbock Fine without management present. Further, the Audit Committee is responsible for making recommendations to the Board on the appointment of Lubbock Fine and the audit fee and reviews reports from management and Lubbock Fine on the financial accounts and internal control systems used throughout the Company and the Group.

The Audit Committee will aim to meet at least three times a year and is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Group with statutory and other regulatory requirements. FIM prepares the minutes and circulates agendas for meetings. The auditors will be invited to meetings when required, at least once annually ahead of the approval of the annual financial statements.

With respect to Lubbock Fine, the Audit Committee:

- monitors in discussion with Lubbock Fine the integrity of the financial statements of the Company and the Group, any formal announcements relating to the Company's and Group's financial performance and reviews significant financial reporting judgments contained in them;
- reviews the Group's internal financial controls and reviews the Group's internal control and risk management systems;

- considers annually whether there is a need for an internal audit function and makes a recommendation to the Board;
- makes recommendations to the Board for it to put to the shareholders for their approval in the general meeting, in relation to the appointment, re-appointment and removal of Lubbock Fine and to approve the remuneration and terms of engagement of Lubbock Fine;
- reviews and monitors Lubbock Fine's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- develops and implements policy on the engagement of Lubbock Fine to supply non-audit services, taking into account relevant external guidance regarding the provision of non-audit services by Lubbock Fine; and
- reports to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The Audit Committee also reviews arrangements by which the staff of the Company and the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action. Where necessary, the Audit Committee will obtain specialist external advice from appropriate advisers.

Role of the Remuneration Committee: the Remuneration Committee comprises Ross Warner, as Chairman and Mark Rollins.

The Remuneration Committee is responsible for considering all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management (as appropriate) and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration Committee is to keep under review the Company's remuneration policies to ensure that the Company attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company. The Remuneration Committee also reviews the performance of the CEO and CFO and sets the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of shareholders.

The Remuneration Committee is also responsible for granting options under the Company's share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant, ensuring in determining such remuneration packages and arrangements, due regard is given to any relevant legal requirements, the provisions and recommendations in the AIM Rules and the QCA Code.

The committee will aim to meet up to two times per annum. Appointments to the committee will be made by recommendation of the Board. No further appointments are expected until the number of NEDs on the Board increases.

The Remuneration Committee:

- determines and agrees with the Board the framework or broad policy for the remuneration of the CEO and CFO;
- determines the remuneration of Non-Executive Directors;
- determines targets for any performance-related pay schemes operated by the Company and the Group;
- ensures that contractual terms on termination and any payments made are fair to the individual, the Company and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- determines the total individual remuneration package of the CEO and CFO, including bonuses, incentive payments and share options;
- is aware of and advises on any major changes in employees' benefit structures throughout the Company and the Group;
- ensures that provisions regarding disclosure, including pensions, as set out in the (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, are fulfilled; and
- is exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee.

The services of each of the Board members as directors are provided under the terms of their letters of appointment. The responsibilities of the board members are outlined in the Accounts and summarised below.

The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Whilst there are no formal adoption of matters reserved for the Board, the Directors review and approve the following:

- Strategy and management

- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

The structures and risk appetite disclosures on the website and the Accounts are deemed sufficient in relation to the size and strategy of the Company.

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. Mark Rollins will be submitted for re-election as a director and Ross Warner who retires by rotation at the commencement of the 2020 AGM will submit himself for immediate reappointment to the Board, as will all directors at subsequent AGMs in accordance with the Company's articles of association. The Non-Executive Chairman may serve as a Non-Executive Director before commencing a first term as Non-Executive Chairman.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The information provided to shareholders regarding updates on the Company via regulatory announcements are also considered to be sufficient, taking into consideration the size and low activity level of the Company.

The Company communicates with shareholders through the Accounts, full-year and half-year announcements, the shareholders meetings and investors can email the directors and Company Secretary with any queries they may have. The Company maintains an enquiries email address (info@advanceplc.com) and has a twitter account (@advanceplc), details of which are displayed on its website.

All historical information is maintained on the website along with shareholder updates.

The Company's financial reports and notices of General Meetings of the Company for the last five years can be found here <http://www.advanceplc.com/investor-relations/corporate-documents/>

The outcome of all resolutions tabled at general meetings are to be posted on the Company's website and also announced via RNS.

If a significant proportion of independent votes were to be cast against a resolution at any general meeting, the Board's policy would be to engage with the shareholders concerned in order to understand the reasons behind the voting results.