

Statement of Compliance with the QCA Corporate Governance Code

(This disclosure was last reviewed and updated on 30 October 2019)

Principle One

Business Model and Strategy

The board of directors of the Company (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

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@andalasenergy.co.uk. Investors also have access to current information on the Company through its website, www.andalasenergy.co.uk.

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.

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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 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 Board 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)
Management	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.
Regulatory adherence	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company.
Geological	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.
Strategic	Damage to reputation	Inability to secure new capital	Effective and consistent communications with shareholders.
Financial	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.

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Maintain A Dynamic Management Framework

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 AGM 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.

In view of the size of the Company, the Board as a whole carries out the duties that would sometimes be delegated to an Audit Committee, Remuneration Committee or Nomination Committee. The Company will monitor and review the need to form Committees to support the function of the Board.

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.

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 Meetings

Board Meetings – there were 8 Board meetings held during the Financial Year.

Date of meeting	S Gorringe	R Warner	R Arnott	G Smith	*D Jorgensen (retired as a Director on 4 April 2019)
22 June 2018	X	X	x	X	X
23 August 2018	X	X	X	X	X
20 September 2018	X	X	X	X	X
26 October 2019	X	X	X	X	X
25 January 2019	X	X	x	X	X
18 February 2019	X	X	X	X	X
13 March 2019	X	X	X	X	X
1 April 2019	X	X	X	X	X

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Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of four Directors and, in addition, the Company has employed the outsourced services of FIM Capital Limited (“FIM”) to act as the Company Secretary. FIM also provides specialist fund administration and accounting services to 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.

Aside from FIM, (who Graham Smith is also a director of) performing the role of Company Secretary and accountant, the Board does not have any other particular internal advisory responsibilities.

Full Biographies of the Board are available on the Company's website www.andalasenergy.co.uk.

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 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 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.

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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. The responsibility for the Company's financial affairs had been delegated to Dan Jorgensen, who retired as a director of the Company on 4 April 2019, after which Graham Smith assumed this role.

No Committees currently exist as previously described in the disclosures in respect of Principle 5 above. The Board carefully considered the need for separate Committee functions and deemed these to be excessive due to the size and activity of the Company, and consequently there are no Committee terms of reference in effect.

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. Graham Smith who retires by rotation at the commencement of the 2019 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.

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Principle Ten

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@andalasenergy.co.uk) 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.andalasenergy.co.uk/investor-relations/corporate-documents/>

The outcome of all resolutions tabled at general meetings, including details of voting, 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.