

Europa Oil & Gas

Chairman’s Statement on Corporate Governance

18th July 2019

As Chairman of Europa Oil & Gas (Holdings) plc, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity, ability, structure and support to enable it to continue to do so.

Changes to AIM rules introduced on 30 March 2018 require AIM-quoted companies to apply a recognised corporate governance code. The information on Corporate Governance set out below and on the website www.europaoil.com is, in the opinion of the Board, fully in accordance with the revised requirements of AIM Rule 26.

The Board has determined that the Quoted Companies Alliance’s (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26) would be the most appropriate for the Group to adhere to.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers 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. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code during the period under review.

The last twelve months has seen, amongst others, the following governance developments:

- Simon Oddie and Roderick Corrie met with major shareholders
- Establishment of a Strategy Committee of the Board
- A board evaluation review in September 2018, the main action points arising being:
 - To reduce the number of Board meetings in 2019 with a likely increase in the number of subcommittee meetings.
 - To look for a female member at the next opportunity.
 - To reconsider succession planning, remuneration and incentives.
 - To review and test emergency action plans

For the purposes of clarity, the description of how the group complies with the ten principles of the QCA Code begins with a summary of those areas where the group does not fully comply, followed by a review of each of the principles in turn.

<p><u>Principle 6:</u></p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p> <p>“The board should understand and challenge its own diversity, including gender balance, as part of its composition.”</p>	<p><u>Action</u></p> <p>The board has resolved to look for a female member at the next opportunity.</p>
<p><u>Principle 7:</u></p> <p>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p> <p>“Succession planning is a vital task for boards.”</p>	<p><u>Action</u></p> <p>The remco has resolved to reconsider succession planning in the coming year.</p>

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Review of each of the QCA principles

<p><u>Principle 1:</u> Establish a strategy and business model which promote long-term value for shareholders</p>	<p>Our strategy is described here: http://www.europaoil.com/strategy.aspx</p> <p>Also note:</p> <ul style="list-style-type: none"> • In January 2019 following a review of strategy led by Brian O’Cathain, the Board resolved to establish a Strategy Committee to provide support to the executive in implementing the strategy. • • The Strategy Committee has met 5 times in 2019 • Strategy is assessed by discussion between the directors • An external strategy session is not considered useful as we have two new directors on the board. • We do not use risk assessment as a strategy.
<p><u>Principle 2:</u> Seek to understand and meet shareholder needs and expectations</p>	<p>The Company engages with shareholders by:</p> <ul style="list-style-type: none"> • Publishing periodic newsletters • Emailing Regulatory News Service (RNS) announcements to its subscriber list • Replying to investor questions sent to mail@europaoil.com either directly or through St Brides Partners Limited • Proactive Investor presentations and interviews (made available on the website by links to youtube recordings) • Conducting at least twice yearly meetings with major shareholders on its results roadshows to obtain a balanced understanding of their issues and concerns <p>Shareholder liaison is the responsibility of the CEO and Chairman, with assistance from the Finance Director and the SID</p> <p>At the last AGM, voting did not indicate any specific shareholder concerns</p>
<p><u>Principle 3:</u> Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>Key stakeholders are:</p> <ul style="list-style-type: none"> • Phillips 66 • Employees and consultants • Regulators (OGA, DCCAE (Department of Communications, Climate Action and Environment (Ireland)), EA, HSE, Local

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	<p style="text-align: center;">Authorities)</p> <ul style="list-style-type: none"> • Local communities <p>The CEO provides a weekly report to the Board which includes a section on Stakeholder and Social Responsibility. This includes Stakeholder feedback from multiple sources.</p> <p>Europa is a member of the UK Onshore Operator Group (UKOOG) and through this forum has regular meetings with the EA and HSE.</p> <p>Engagement with UKOOG has helped improve our submissions to various regulatory authorities.</p> <p>Europa is a member of the Irish Offshore Operators' Association (IOOA) which has been highly active in promoting the need for oil and gas exploration in Ireland.</p>
<p><u>Principle 4:</u> Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The CFO has prepared a risk register for the group that identifies key operational and financial risks. All members of the Board are provided with a copy of the register. The register is reviewed at least annually and is updated as and when necessary.</p> <p>Within the scope of the annual audit, specific financial risks including foreign currency, interest rates, liquidity and credit are evaluated in detail,.</p> <p>All members of staff and contractors are provided with a handbook which includes sections on share dealing, bribery, whistle-blowing. The handbook is updated and reissued regularly.</p> <p>We do not currently have a risk management framework or risk management improvement programme a risk training programme, workshops, "risk appetite", monitoring dashboard but will review if any of these would be beneficial in the coming year.</p> <p>Control systems are considered effective as we have not suffered any financial loss through fraud.</p>
<p><u>Principle 5:</u> Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>All of the four NED's are considered by the Board to be independent.</p> <p>Biographies are available at: http://www.europaoil.com/directors.aspx</p> <p>Three of the Board's Non-Executive Directors, Simon Oddie, Roderick Corrie and Brian O'Cathain hold share options. Whilst recognising that the granting of options to Non-Executive Directors can be deemed to compromise independence in accordance with the principles of the QCA Corporate Governance Code, the Board views this to be part of a balanced remuneration package to attract and retain high quality candidates and considers the numbers of options to have no effect upon the independence of these Directors as the sums are insignificant in the context of the individuals financial circumstances.</p>

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	<p>Two of the Board's Non-Executive Directors, William Ahlefeldt and Roderick Corrie, have been members for more than the nine years recommended by QCA Corporate Governance Code. The Board believes them to be independent in character and free from any relationship that could affect their independent judgement. This is demonstrated by their active contribution in board meetings.</p> <p>The appointment of Simon Oddie and Brian O'Cathain in January 2018 compensated somewhat for their seniority and reduced the average tenure of the Board. Directors serving more than 6 years will continue to be proposed for re-election at each AGM.</p> <p>Hugh Mackay (CEO) and Phil Greenhalgh (FD and Company Secretary) are full time employees.</p> <p>Simon Oddie (non-executive Chairman); Brian O'Cathain, Roderick Corrie and William Ahlefeldt (all non-executive directors) are all expected to devote such time as is necessary for the proper performance of their duties including attendance at seven Board meetings per year, the AGM, and Board committee meetings.</p> <p>The minimum numbers of meeting for committees are: Audit Committee – two; Remuneration Committee – one; and Nomination Committee – one; Strategy Committee – as required. Meetings held and attendance records of all directors for the period 1 August 2018 to 31 July 2019 are set out in the website.</p> <p>The Board is balanced in terms of experience, and the split between executive and non-executive directors.</p> <p>All Board members received agenda and associated papers a few days in advance of the meeting.</p>
<p>Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>Members of the Board of Directors are listed at http://www.europaoil.com/directors.aspx including their relevant experience, skills and personal qualities. There is an appropriate breadth of experience covering the key aspects of the business including technical, operational, financial and international. The gender balance needs to be addressed and is under consideration. It is the responsibility of each director to keep skills up to date with the assistance of the Chairman who has a core responsibility in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness.</p> <p>Board Committees call on external advisers where this is deemed necessary.</p> <p>No significant matters of a corporate governance nature arose during the period covered by the 2018 Annual Report nor subsequently to the date of this statement on which it was considered necessary for the Board or any of its committees to seek external</p>

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	<p>advice, although the Board consults with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business.</p> <p>The main internal advisory functions are that of Senior Independent Director and Company Secretary (shared with the Finance Director function).</p> <p>New directors receive training from the company nomad and broker.</p>
<p><u>Principle 7:</u> Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>In 2018 with two new directors in place, the Board undertook an effectiveness review utilising a PwC developed assessment tool. Each director fed back to the Chairman and results were assimilated and considered at the following Board meeting. This was the first formal review. In future reviews will take place annually, with third party facilitation of the process every third year. the main action points arising being:</p> <ul style="list-style-type: none"> o To reduce the number of Board meetings in 2019 with a likely increase in the number of subcommittee meetings. o To look for a female member at the next opportunity. o To reconsider succession planning, remuneration and incentives. o To review and test emergency action plans <p>This was the first effectiveness review undertaken.</p>
<p><u>Principle 8:</u> Promote a corporate culture that is based on ethical values and behaviours</p>	<p>Members of the Board are committed to observing and promoting the highest standards of ethical conduct in the performance of their responsibilities on the board of Europa. The Board believes that a culture that is based on the highest ethical standards provides a competitive advantage and is consistent with fulfilment of the group's strategy.</p> <p>Board meetings are held usually at the head office and once a year at one of the production sites. Directors are encouraged to spend time with, listen to, and act upon any concerns of, staff members and contractors</p> <ul style="list-style-type: none"> • The board considers that cultural differences between UK and Ireland are immaterial • We do not have a culture policy, nor a specific culture related employee training / induction programme - but resolve to review the need for such a programme annually • Culture and strategy are deeply aligned • The Board ensures that the company has the means to determine that ethical values and behaviours are recognised and respected.

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Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Role of the Chair – Simon Oddie

- Runs the board and set its agenda.
- Promotes the highest standards of corporate governance
- Ensure that the members of the board receive accurate, timely and clear information, to promote the success of the group.
- Ensure effective communication with shareholders
- Takes the lead in identifying and meeting the development needs of individual directors, ensure that the performance of individuals and of the board as a whole and its committees is evaluated at least once a year.

Role of the CEO - Hugh Mackay

- Develops group objectives and strategy
- Executes strategy following approval by the board.
- Identifies and executes licence acquisitions and disposals, joint venture opportunities, approves major work programmes.
- Leads geographic diversification initiatives.
- Identifies and executes new business opportunities outside the current core activities.
- Manages the group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as considered acceptable by the board.

Role of the SID – Roderick Corrie

- Works closely with the chairman, acting as a sounding board and providing support,
- Acts as an intermediary for other directors as and when necessary.
- Is available to shareholders and other non-executives to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication
- Meets at least annually with the non-executives to review the chairman's performance and carrying out succession planning for the chairman's role.
- Attends sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns.

Role of the Company Secretary – Phil Greenhalgh

Given Europa's size and desire to manage its resources effectively, the role of Company Secretary is performed by the Finance Director. The Board reviews this structure at least annually.

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	<ul style="list-style-type: none"> • Distributes documents to the Board • Is available to the Audit, Remuneration and Nominations Committees as required • Keeps minutes of meetings • Updates Companies House records for the company and subsidiaries <p>Committee terms of reference and Matters Reserved for the board are available at: http://www.europaoil.com/corporatedocuments.aspx</p> <p>The Board intends to continuously review its governance framework in line with the company's plans for growth</p>
<p>Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>The audit committee has met to review the interim and preliminary accounts for the Group, and held meetings with the external auditor without executives present. There is no audit committee report for the year.</p> <p>The remuneration committee met twice during the year to review remuneration and incentives. There is no report for the year.</p> <p>During the year the company has focused on advancing its portfolio towards drilling and looked at new licence opportunities.</p> <p>Simon Oddie and Roderick Corrie have met major shareholders in the year.</p> <p>Past Notice of AGMs are available at http://www.europaoil.com/reportsandpresentations.aspx</p>

The board will continue to develop its governance processes in the coming year.

Simon Oddie
18 July 2019