

Quoted Companies Alliance: QCA Corporate Governance Code

All AIM companies are required to set out the details of a recognised corporate governance code that the Board of Directors has chosen to apply, how they comply with that code and where it departs from its chosen corporate governance code, with an explanation for doing so.

Introduction from the Chairman

Ascent Resources plc (“Ascent”) has chosen to adopt the Quoted Companies Alliance (“QCA”) Code and has set out below detailed explanations of how we seek to comply with each of the QCA Code’s 10 principles.

The Directors recognise the importance of, and are committed to, high standards of corporate governance. The corporate governance framework within which Ascent operates, including Board leadership and effectiveness, Board remuneration and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operation of the business.

We regard treating others fairly and doing things properly as good business, which will hopefully result in a long-term increase in shareholder returns. Therefore, our approach is to comply with the QCA Code wherever it is possible and consistent with increasing shareholder value. The one exception we make in complying with the QCA Code is that we actively encourage the Non-executive Directors to participate in the Company’s share option scheme. This approach fully aligns the interests of all of the Directors with those of the Company’s shareholders.

Ascent Resources plc is a company with a clear business model and strategy. Our objective is to create shareholder value from the development of oil and gas projects and associated activities. All members of the Board believe strongly in the importance of good corporate governance to help achieve our goals and in our accountability to all our stakeholders. In the statements that follow, we explain our approach to governance and how the Board and its committees operate.

Louis Castro
Non-executive Chairman
29 July 2019

Principle 1 Establish a strategy and business model which promote long-term value for shareholders

Purpose

Ascent's objective is to create shareholder value from the development of oil and gas projects and associated activities. The Group has a number of secondary objectives, including promoting the highest level of health and safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.

Strategy

The Group's long-term strategy is to build an attractive portfolio of oil and gas exploration and production assets in onshore Europe, in particular in the Pannonian Basin where the Company has its greatest experience. Additionally, the Group will seek to exploit associated opportunities where the Board believes these can add significant value and contribute towards the success of the Group as a whole.

The Group's principal asset is its interest in the Petišovci field in north-eastern Slovenia which it brought into production in 2017.

Our business model

Our business model is to invest in and develop promising oil and gas projects. Growth in long-term value will be measured by a sustainable appreciation in the share price and, when appropriate, by dividend payments.

Key challenges and how they will be addressed:

Exploration for and production of oil & gas are inherently high-risk ventures. The Annual Report sets out the principal risks and our approach to manage and mitigate these risks.

In addition, the Company is subject to various risks relating to political, economic, environmental, legal, social, regulatory, business and financial matters. Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system.

Principle 2 Seek to understand and meet shareholder needs and expectations

The Company communicates with its shareholders principally via a Regulatory Information Service, its website, social media, formal company meetings and periodic investor presentations.

The Company's management meets prospective institutional investors from time to time to assess the availability of institutional funding to advance the company's plans.

From our interactions with existing and prospective investors it is clear to the Board that the principal objective of shareholders is to maximise capital returns at an acceptable level of risk. The most common issue raised being when will we receive the outstanding permits from Slovenia's Environment Agency.

During the last 12 months, the Company presented at specially organised events focussed on the retail and institutional markets, including a dedicated Ascent Resources event in London. An up-to-date

information flow is maintained on the Company's website (<https://www.ascentresources.co.uk>) which contains all press announcements, financial reports as well as extensive operational information on the Company's activities.

Additionally, the Company has recorded a number of media interviews which are available to download on leading investor-focussed websites and from the media section of the Company's website. The Company also provides an email alert service on its website to which shareholders and other interested parties can subscribe to receive company announcements when they are released.

Principle 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company is aware of its corporate social responsibilities and the need to maintain effective working relationships across a wide range of stakeholder groups. The Company regards its employees and their families, its partners, customers, local and national government and its shareholders to be the core of the wider stakeholder group.

Employees and Social responsibilities

Staff employed by the Group are based primarily in Slovenia and the UK. As well as providing employees with appropriate remuneration and other benefits, together with a safe and enjoyable working environment, the Board recognises the importance of communication with employees to motivate them and involve them fully in the business. For the most part, this communication takes place at a local level, through the Country Manager but staff are kept informed of major developments through email updates and staff meetings led by the Chief Executive and the Chief Operating Officer, and are encouraged to discuss these matters openly within the Company.

It is the Group's policy and practice to comply with health, safety and environmental regulations and the requirements of the countries in which it operates to protect its employees, partners, assets and the environment.

External

In addition to the employment created for the Company's staff, many additional jobs with the Company's suppliers, partners and professional advisers are reliant on Ascent's business activities.

Feedback

The Company relies on its local employees, advisers, regulators and community contacts to provide feedback on its proposals and decisions that affect the wider community or environment. It makes every effort to maintain good relationships with community leaders and regulators either directly or through advisers and special interest groups. It takes into account feedback from these stakeholders in its decisions and actions. The Company and its partners in Slovenia have maintained a data room to inform local residents about planned development.

Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. Oil & gas exploration and production is a challenging activity and as such is necessarily subject to a rigorous health and safety regime.

As the Company develops, its approach to risk management and mitigation will include a formal risk register, including all the principal operational and non-operational risks to the business. Such a risk register will be reviewed and assessed at least once a year by the Audit Committee.

For further details of the Company's approach to risk and risk management, please refer to the Principal Risks and Uncertainties section of the Annual Report and Financial Statements.

Principle 5 Maintain the Board as a well-functioning, balanced team led by the chair

The Board, whose size is commensurate with the Company's current stage of development, consists of one full-time and one part-time executive director and one non-executive director who is also the Chairman of the Company.

John Buggenhagen is the Chief Executive Officer with responsibility for managing the day to day business of the Company and for driving the implementation of the strategy both inside Slovenia and elsewhere. In Slovenia, he is supported by the Country Manager. In the UK he is supported by Colin Hutchinson the part-time Finance Director.

Louis Castro is the Non-executive Chairman and is responsible for overseeing the running of the Board and ensuring its effectiveness and that no individual dominates the Board's decision-making. He is also responsible for making sure that the Board operates in the interests of its shareholders and the wider group of stakeholders. He is also the Chairman of the Audit Committee. The Non-executive Director constructively challenges and helps to formulate strategy whilst also scrutinising the performance of management.

John Buggenhagen is an experienced geophysicist with 20 years' working knowledge of the oil and gas industry. He holds a bachelor's degree in geophysics from the University of Arizona, a master's degree in geophysics from the University of Wyoming, and a Ph.D. in geophysics also from the University of Wyoming. His previous roles include CEO of Palomar Natural Resources, a Polish focussed E&P Company, Director of Exploration for San Leon Energy in London and Exploration Manager Europe for Aspect Energy/Hungarian Horizon.

Louis Castro is a Fellow of the Institute of Chartered Accountants in England and Wales and has over 30 years' experience in investment banking and broking both in the UK and overseas. Most recently he was the Chief Financial Officer at Eland Oil & Gas, a publicly quoted company where he was one of two executive board directors. Previously he was Chief Executive of Northland Capital Partners in London and before this was Head of Corporate Finance at Matrix Corporate Capital and at Insinger de Beaufort. He started his career by qualifying as a Chartered Accountant with Coopers & Lybrand (now PWC).

Colin Hutchinson is a chartered accountant, a Fellow of the Institute of Chartered Accountants in Ireland, holds a law degree from Dundee University and an MBA from Warwick Business School. He has been working for the company since 2013 and has a detailed understanding of the asset, joint operating framework and the regulatory environment.

Louis Castro is considered to be independent.

The Board meets at least once a month, either face-to-face or by telephone. At these meetings the Board receives a report from John Buggenhagen on strategic and operational matters and from Colin Hutchinson on corporate and financial matters. .

The Board also has a list of standing items, including compliance with the UK Bribery Act, litigation and the existence of open and closed periods for directors' dealings, which are considered at each meeting.

The number of Board meetings attended each year by the Directors will be set out in the Directors' Report which forms part of the Annual Report and Financial Statements. The Directors are expected to commit the necessary time to fulfil their roles.

Non-executive Directors' participation in Option Schemes – departure from the QCA Code

In common with many AIM Companies we actively encourage Non-executive Directors to participate in the Company's option schemes. The purpose of the Company is to grow shareholder value. It would be perverse then if we did not link the rewards of those directly responsible for the Company's growth to increases in the underlying value of the Company. This is at no cash cost to the Company.

Principle 6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The experience of the Executive and Non-executive Directors is set out in the response to Principle 5 above, in the Annual Report and Financial Statements and on the Company's website.

The Chief Executive is supported by the rest of the Board, by the operational staff in Slovenia and by expert consultants as required.

Operational skills are maintained through an active day-to-day involvement in the oil & gas industry and by the use of leading, international, external contractors who demonstrate the latest techniques and use the latest equipment.

Non-operational skills are maintained principally via the Company's professional advisers and being active in the market. Involvement with a variety of other boards allows those concerned to witness alternative approaches to similar business issues and to benefit from the advice of more than just the Company's retained advisers.

Principle 7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Company's strategy and its shorter-term objectives are set out in the Annual Report and Financial Statements, including appropriate Key Performance Indicators (KPIs).

Until recently, the board has focussed solely on developing Petišovci and assessing the most appropriate way to fund this development. Its objective now is to continue to maximise the potential of its Slovenian asset while also looking for other projects with the potential to bring shareholder value.

The Company will, at an appropriate stage of its development, seek to formalise the evaluation of the performance of the Board and individual directors in keeping with general market practice.

Principle 8 Promote a corporate culture that is based on ethical values and behaviours

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner.

All staff and directors are bound by the Company's Code of Conduct Policy and are reminded regularly to report non-compliant activities or events. Compliance with this is considered an important part of the annual assessment of staff and in setting their pay for future periods.

Future Annual Reports and Financial Statements will include a statement in the Corporate Governance section setting out the Company's corporate culture and approach to ethical values and behaviours.

Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Company's governance structures were reviewed on the introduction of the QCA Code. The Board believes them to be in accordance with best practice, as adapted to better comply with Ascent's circumstances and disclosed above.

The Company is confident that its governance structures and processes are consistent with its current size and complexity. The Board is aware that it must continue to review its practices as the Company evolves and grows.

The Chief Executive Officer has overall responsibility for managing the day to day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy. The Directors' Biographies in the Annual Report and Financial Statements and on the Company's website briefly describe individual Board members' specific responsibilities.

The terms of reference of the [Audit Committee](#) and the [Remuneration Committee](#) are set out on our website. The reports of the Audit Committee and Remuneration Committee will be included in our next Annual Report.

The appropriateness of the Company's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.

Principle 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company reports formally to its shareholders and the market twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors with the interim statement usually subject to a review by the same external auditors.

The Annual Report and Financial Statements set out how the corporate governance of the Company has been applied in the period under review.

These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects. They are available via the Company's website to anyone who wishes to review them.

The Company holds an Annual General Meeting and ad hoc General Meetings which all shareholders may attend. The results of votes held at these meetings are communicated via a Regulatory Information Service and all such announcements are available on the Company's website.

Employee stakeholders are regularly updated on the development of the Company and its performance.

Prepared 19 September 2018

Revised 29 March 2019

Revised 29 July 2019