

## **CORPORATE GOVERNANCE STATEMENT**

The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code"). This statement sets out how the Company complies with the 10 principles of the QCA Code.

The Board takes account of the requirements of the QCA Corporate Governance Code. Corporate Governance adherence will be the responsibility of the Chairman and will take steps to ensure compliance by the Board and applicable employees with the terms of the code. The Company has adopted a share dealing code for the Board and employees of the Company.

### **Chairman's Statement**

As Chairman, it remains my responsibility, working with my fellow board members, to ensure that good standards of corporate governance are embraced throughout the Company. Given the smaller size of the Company and, in particular, inherent limitations on headcount and cost, there will always be a balance between best practise governance protocols and a practical application of these. As a board, we set clear expectations concerning our culture, values and behaviours. We believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to conduct business sustainably and responsibly, whilst trying to deliver value for our shareholders.

It is the Board's job to ensure that the Company is managed for the long-term benefit of all stakeholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

John Walmsley  
*Non-Executive Chairman*

### **PANTHEON RESOURCES QCA CORPORATE GOVERNANCE COMPLIANCE STATEMENT:**

#### **1. STRATEGY & BUSINESS MODEL**

Pantheon's strategy is to focus on hydrocarbon exploration and production, onshore USA, in a region of low sovereign risk where our specialist expertise lies. We run a lean organisation that is focused on maximising the potential returns to shareholders through carefully targeted exploration, appraisal and where relevant, development in established and highly prospective areas underpinned by detailed geological analysis where applicable. Where appropriate the Company will also undertake value accretive acquisitions or divestitures of assets, following careful analysis and, as appropriate, shareholder engagement. The Company, as appropriate, uses a combination of in-house expertise and external consultants to manage operations.

Pantheon seeks to keep corporate overhead costs to a minimum, whilst balancing the need to hire and retain the best personnel and advisors, so as to maximise the potential returns to shareholders in the event of success. Given the current scale of the Company, corporate and operating costs are monitored by management to ensure appropriate levels of spending.

The Board of Directors meet on a regular basis to discuss the strategic direction and operational status of the Company, and any significant deviation or change will be highlighted to the board promptly should this occur.

## **2. UNDERSTANDING AND MEETING SHAREHOLDER NEEDS AND EXPECTATIONS**

Company progress on achieving its key targets are regularly communicated to investors through stock exchange announcements which can be found under the 'News and Media' section of the Company website. The Company retains the services of a corporate communications firm who actively engage with press, investors and analysts, as well as a Corporate Broker, to ensure shareholders understand the Company's operations and activities. The Company will consider the use of commissioned research as a medium for shareholder education.

The Company also utilises professional advisors such as a Broker, NOMAD, Auditor and Company Secretary to provide advice and recommendations on various shareholder considerations where relevant.

The Company hosts a weekly conference call which includes management, corporate communications advisors and the Nomad/broker, in which any shareholder considerations identified over the course of the week can be tabled and responded to accordingly.

The Company regards the annual general meeting as a good opportunity to communicate directly with shareholders via detailed presentations and an open question and answer session. The Company also undertakes investor roadshows as and when appropriate, arranged through its Broker. Over the past year, the Company considers that it has communicated with a significant portion of its shareholder base and has a clear understanding of shareholder expectations. Contact details are provided on the Company's website and within public documents should shareholders wish to communicate with the Company.

## **3. TAKING INTO ACCOUNT WIDER STAKEHOLDER & SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS**

The Board of Directors recognise their responsibilities to stakeholders including the State of Texas, staff, partners, suppliers, vendors, landowners and mineral interest owners within the community it operates in. Given the current size of the Company, stakeholders are easily able to communicate directly with executive management and staff members, allowing the Board to act appropriately on such feedback. By way of example, the Company recognised shareholder concerns over the operational performance of the operator and subsequently contracted the expert technical consultancy Sierra Hamilton as an additional resource.

The Company is conscious of its impact on the environment, and considers the effect of each of its operations prior to starting any new operations to minimise environmental impact.

Stakeholders can contact the Company via the website or can contact the Company's retained corporate communications advisers where required.

## **4. EMBEDDING EFFECTIVE RISK MANAGEMENT**

The Board has weekly conference calls to discuss operations, identify key risks and other relevant matters. The Company's Nomad and corporate communications advisers also attend the weekly conference calls. The Group's oil and gas activities are subject to a variety of risks, both financial and operational, more information on risk can be found on pages 10 and 11 within the Company's financial report which can be found on pages 10 and 11 of the Company's 2017 Annual Report.

Given the Company's current size, the Board consider that the Executive Management team, with oversight from the Non-Executive Board of Directors and relevant advisers are sufficient to identify risks applicable to the Company and its operations and implement an appropriate system of controls.

Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the directors believe that the established systems for internal control within the group are appropriate to the size and cost structure of the business.

The audit committee meets at least twice per year where these internal and financial controls are reviewed as required and assets are also assessed for impairment considerations.

## **5. MAINTAINING A BALANCED AND WELL-FUNCTIONING BOARD**

The Directors acknowledge their responsibility for, and recognise the importance of implementing and maintaining, high standards of corporate governance.

The Board is responsible for establishing and maintaining the system of internal controls. The effectiveness of the Group's system of internal control is reviewed annually by the Audit Committee of the Board.

### **The Board**

The Board currently comprises two non-executive Directors, one of whom is the Chairman, and two executive Directors which is considered to be an appropriate balance given the Company's current size. The Board is responsible to the shareholders for the proper management of the Group. It meets regularly to set and monitor strategy, examine opportunities, identify and consider key risks, consider (and where appropriate approve) capital expenditure projects and other significant financing matters and report to shareholders. The Board delegates authority to the management for the day-to-day business matters including: routine operational matters, purchasing procedures, financial authority limits, contract approval procedures and the hiring of full time and temporary staff and consultants. Matters reserved for the Board are communicated in advance of formal meetings. Biographical details of the directors can be found on the 'About Pantheon' section of the company's website.

The QCA Code does not offer a definition of independence with respect to directors, so in forming a view on the independence of directors the Company has sought guidance by reference to the guidelines outlined in the FCA's UK Corporate Governance Code. In any event, the Board exercises discretion in making the determination of director independence which is kept under review on an annual basis. Both non-executive Directors are currently considered to be independent. The non-executive Chairman, John Walmsley, is considered to be independent despite him having acted as a non-executive director to the Company for over than 9 years and him being a participant in the Company share option scheme, having considered his actions, interactions and rigorous level of challenge to the Board and executive management team.

The board has a number of committees as explained below:

### **Audit Committee**

The Audit Committee consists of John Walmsley as Chairman, Jay Cheatham and Phillip Gobe. This Committee provides a forum through which the Group's finance functions and auditors report to the non-executive Directors. Meetings may be attended, by invitation, by the Company's Nomad, Company Secretary, other Directors and the Company's auditors.

The Audit Committee meets at least twice a year. Its terms of reference include the review of the Annual and Interim Accounts, consideration of the Company and Group's accounting policies, the review of internal control, risk management and compliance procedures, and consideration of all

issues surrounding publication of interim and annual financial results and the annual audit. The Audit Committee will also interact with the auditors and review their reports relating to accounts and internal control systems.

### **Remuneration Committee**

The Remuneration and Nomination Committee consist of Phillip Gobe as Chairman, John Walmsley and Justin Hondris. The Committee meets as and when required. Its role is to determine the remuneration arrangements and contracts of executive Directors and senior employees, and the appointment or re-appointment of Directors. It also has the responsibility for reviewing the performance of the executive Directors and for oversight of the Company's incentive schemes. No Director is involved in deciding their own remuneration.

### **Conflicts Committee**

The Company has established a Conflicts Committee which consists of John Walmsley as Chairman, Justin Hondris, Jay Cheatham and Phillip Gobe. The role of the Conflicts Committee is to assist the Board in monitoring actual and potential conflicts of interest under the definitions of the Companies Act 2006. Under the Companies Act 2006 Directors are responsible for their individual disclosures of actual or potential conflict. To follow best practice, the Conflicts Committee holds discussions where appropriate, with the Company's UK lawyers.

### **Anti-Corruption & Bribery Committee**

The Company has established an Anti-Corruption & Bribery Committee. This committee consists of Justin Hondris as Chairman, Jay Cheatham and Phillip Gobe. The purpose of the Anti-Corruption & Bribery Committee is to ensure the Company's compliance with the Bribery Act 2010.

## **6. HAVING APPROPRIATE EXPERIENCE, SKILLS AND CAPABILITIES ON THE BOARD**

The Board of directors has a mix of experience skills, both technical and commercial, and personal qualities that seek to deliver the strategy of the Company. The Company will ensure that between them that the directors have the necessary up-to-date experience, skills and capabilities to deliver the Company strategy and targets. If the Company identifies an area where additional skills are required, the Company will often contract an appropriately qualified third party to advise as required. Each director is listed on the 'About Pantheon' section of the Company's website and in the annual report along with a clear description of their role and experience.

## **7. EVALUATING BOARD PERFORMANCE**

Given the Company's current size, the Board has not considered it necessary to undertake a formal assessment of the board performance and effectiveness, however, any deficiencies in Board performance and effectiveness would be identified on an ad hoc basis. The board contracts the executive remuneration specialist at Deloitte for matters concerning management incentive schemes.

## **8. ETHICAL VALUES & BEHAVIOURS**

The Company operates a corporate culture that is based on ethical values and behaviours and treats operational stakeholders fairly and with respect. It will maintain a quality system appropriate to the standards required for a Company of its size. The board communicates regularly with staff through meetings, telephone calls and messages.

## **9. MAINTAINING GOVERNANCE STRUCTURES AND PROCESSES**

The Board sets direction for the Company through regular communication which includes weekly update calls where significant matters are tabled and approved. All of the executive directors have designated roles and areas of responsibility and engage with the Company's shareholders and stakeholders in accordance with relevant regulatory guidelines. There are a number of matters reserved for the Board's review and approval including, Group strategy, approval of major capital expenditure projects, approval of the annual and interim results, project assessment, dividend policy and Board structure. It monitors the exposure to key business and operational risks and reviews the strategic direction of the group and its operations. The Board delegates day-to-day responsibility for managing the business to the Executive Directors/senior management team.

The audit committee meets at least twice per year where internal and financial controls are reviewed as required and assets are also assessed for impairment considerations.

Roles and responsibilities have been disclosed under principle 5.

## **10. COMMUNICATING WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS**

Under AIM Rule 26 the Company publishes historical annual reports, notices of meetings and other publications, including regular operational newsflow, over a minimum of the five previous years which can be found under the 'Financial Reports' section of the Company website.

The Board of Directors have not published an audit committee or remuneration committee report, which the Board considers to be appropriate given the size and stage of development of the Company.

In regards to a general meeting of the Company, upon the conclusion of that meeting the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the Company's website. In a situation such as where a significant proportion of votes cast against a resolution then, where relevant, an explanation would be provided.

On the 18<sup>th</sup> of March, the company announced, with great sadness, the passing of Mr John Walmsley, Non-executive Director and former Chairman. Mr Walmsley was on three of Pantheons' Committees, namely; Audit, Remuneration & Nominations and Conflicts. Whilst the membership of these committees still constitutes a quorum, it is the Company's intention to update the composition of all committees following the formal appointment of the proposed new non-executive director(s) anticipated to join the Company in the coming weeks.

Last review and update: 5 April 2019