

## **Corporate Governance Report**

The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles:

### **Principle One**

#### *Business Model and Strategy*

The Board has concluded that the highest medium and long term value can be delivered to its shareholders by building a US onshore focused oil and gas company, achieved through the adoption of a dual strategy. The Company's principal activity is the redevelopment and enhancement of its upstream oil and gas interests in Oklahoma and Texas. In addition, the Company has established strategic portfolio investments in listed and unlisted entities in the oil and gas sector. The Company will continue to seek to grow both businesses organically and will seek out further complementary acquisitions that create enhanced value.

### **Principle Two**

#### *Understanding Shareholder Needs and Expectations*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company through its website, [www.mayanenergy.co.uk](http://www.mayanenergy.co.uk), Charlie Wood CEO is available to answer investor relations enquiries in conjunction with St Brides Partners who are engaged to provide investor relations support.

### **Principle Three**

#### *Considering wider stakeholder and social responsibilities*

The Board recognises that the long term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company. The Company maintains open and ongoing dialogue with regulators and local communities in which it operates to ensure that operations are conducted in full compliance with all applicable laws and regulations, as well as avoiding any negative impact on local communities. The Board regularly reviews and assesses its key resources and relationships and has established processes and systems to ensure that there is close oversight and contact with its key stakeholders. The Board has regular meetings with employees, contractors and consultants to assess operational processes which is designed to ensure that there is an open dialogue with each person engaged by the Company to help establish best operational practice in achieving its goals and targets, and delivering on its business strategy.

### **Principle Four**

#### *Risk Management*

The Board is responsible for ensuring that procedures are in place and being implemented effectively to identify, evaluate and manage the significant risks faced by the Company. The risk assessment matrix below sets out the significant risk categories identified by the Board, the potential impact of the Company's operations, and the controls that are in place to mitigate them. This matrix is reviewed and updated at regular intervals as changes arise in the nature of risks or the controls that are implemented to mitigate them. The following principal risks and controls to mitigate them, have been identified:

<b>Activity</b>	<b>Risk</b>	<b>Impact</b>	<b>Control(s)</b>
<b>Management</b>	Recruitment and retention of key staff	Reduction in operating capability  Inability to execute business strategy	Stimulating and safe working environment Balancing salary with longer term incentive plans in line with market rates for the sector
<b>Regulatory adherence</b>	Breach of rules	Loss of oil and gas licenses Fines and penalties	Strong compliance regime instilled at all levels of the Company
<b>Operational</b>	Failure to achieve production of oil and gas	Non-delivery of business strategy  Inability to continue as going concern	Recruiting and partnering with sector experts to ensure the best possible outcome with respect to exploration and production
<b>Economic</b>	Volatility of oil and gas prices  Foreign currency volatility	Oil and gas production operations becoming economically unviable	Regular monitoring of commodity prices and foreign currency fluctuations to determine whether any hedging is required to reduce price volatility risk
<b>Financial</b>	Funding  Inadequate internal controls and accounting policies	Inability to continue as going concern Inability to manage cash efficiently Incorrect reporting of assets and liabilities	Robust capital management policies and procedures including continuous monitoring and control of cash resources. Appropriate authority and investment levels as set by the Board

An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day overseeing and control exercised by the Chief Executive Officer. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Company's Chief Financial Officer and other Advisors and has established appropriate reporting and control mechanisms to ensure the effectiveness of its internal control systems.

### **Principle Five**

#### *A Well Functioning Board of Directors*

As at the date hereof the Board comprises, the Independent Non Executive Chairman Paolo Amoruso, Chief Executive Officer ("CEO") Charlie Wood, and two Independent Non-Executive Directors, J.D. McGraw & Sarah Cope. Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals in accordance with current UK corporate best governance practice. Each of the Directors including the Non-Executive Directors are expected to provide as much time to the Company as is required. As the Company evolves and grows the Board will monitor the need to match resources to its operational performance and costs.

The Board meets at least 6 times per year. It has established an Audit and Remuneration Committees, the members of each committee are included in Principle Six below. The Board has agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. Mr McGraw, Mrs Cope & Mr Amoruso are considered to be Independent Non-Executive Directors. Whilst Mr Amoruso provides legal services to the Company in respect of its US oil and gas assets, the Board consider him independent of character and judgement as a Non-Executive Director of the Company. The Company is in compliance with the QCA recommendation that the Board be balanced between executive and non-executive Directors with a minimum of two independent non-executives. The Board consists of one executive director and three independent non-executive directors. The Board shall review further appointments as scale and complexity grows.

The Company is in compliance with the Code's expectation that roles of the Chairman and CEO are not combined.

#### *Attendance at Board and Committee Meetings*

The Company reports annually in the Directors Report on the number of Board and committee meetings held during the year and the attendance record of individual Directors. The Directors meet formally and informally both in person and by telephone. To date there have been at least bi-monthly meetings of the Board, and the volume and frequency of such meetings is expected to continue at this rate.

### **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 Orana Corporate LLP ("Orana") to act as the Company Secretary. Orana is a company secretarial and financial services practise based in London and provides similar service for other AIM companies. Orana has a team of Chartered Accountants (ICSA Affiliates) all of whom have extensive experience dealing with quoted companies. Mrs Natalie West, a principle of Orana Corporate fulfils the individual function as non-board CFO assisting with all financial reporting and regulatory requirements. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets.

The Board recognises that it currently has a limited diversity and does not have a Finance Director and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

### **Mr Paolo Amoruso**

#### *Independent Non-Executive Chairman*

Mr. Amoruso has over 20 years of experience serving companies in the upstream oil and gas sector, successfully executing a variety of domestic and international transactional and joint venture operations as well as advising on public and private equity offerings. Mr. Amoruso began his career with Shell Oil Company as a Tax Attorney, served as Assistant General Counsel to the International Division of Devon Energy Corporation and as Vice President of Legal and Commercial Affairs and as Corporate Secretary of Hyperdynamics Corporation. Currently, he is a partner in the law firm of McGowen & Fowler PLLC providing legal and commercial advice to businesses in various stages of development. Mr. Amoruso earned a Masters in Taxation from New York University School of Law, a Juris Doctorate, Master in Business Administration and Bachelors in Economics from the University of Houston.

Mr Amoruso Chairs the Audit Committee and sits on the Remuneration Committee.

**Mr Charles Wood**

*CEO*

Mr Wood has 20 years in senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. Mr. Wood has considerable corporate finance experience with a focus in technology, mining and oil & gas sectors. He is currently Executive Chairman of AIM-quoted Two Shields Investment plc, a listed Investment Company. He is also a founding director of Helium One Ltd, an exploration specialist explorer focused on delineating and developing globally significant helium assets in Tanzania.

**Mr J.D. McGraw**

*Independent Non-Executive Director*

Mr McGraw has provided professional services to a number of companies, including AdTec, American Rice, Blockbuster Video, Chuck E. Cheese, Dryper, DataVon, International Recovery, Republic Industries, and Swift Energy. He has held various positions in a wide range of sectors throughout his 25-year career, including founder, CEO, and president. His background includes start-up and corporate development at all levels including involvement in number of public offerings.

Mr McGraw is currently Chairman of Blue Arch Resources, Inc. and formerly served as director and president for Nova Biosource Fuels, Inc.

Mr McGraw sits on the Audit Committee.

**Sarah Cope**

*Independent Non- Executive Director*

Mrs Cope has over 20 years' experience as an investment banker in London, advising small and mid-sized companies at Board level on corporate governance, strategy, acquisitions and disposals, capital markets and regulatory compliance. Previously she has advised AIM listed companies in the Oil and Gas sector as both Nominated Advisor and Broker, assisting publicly traded companies to raise finance for their exploration, development and production projects around the world. Accordingly, she has an expert understanding of AIM regulations and compliance. In her role at Cantor Fitzgerald Europe Ms. Cope successfully developed and co-led its Oil and Gas franchise, and she similarly specialised in the sector at previous roles held at RFC Ambrian, finnCap Limited and RBC Capital Markets.

Mrs Cope is Chair of the Remuneration Committee and sits on the Audit Committee.

**Principle Seven**

*Evaluation of Board Performance*

Internal evaluation of the Board, the Committees and individual Directors is undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance against targets and objectives, as well as the Directors' continued independence. As a part of the appraisal the appropriateness and opportunity for continuing professional development whether formal or informal is discussed and assessed.

**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 which in turn will impact Company's performance. The Directors are 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 and consultants behave. The corporate

governance arrangements that the Board has adopted are designed to instil a firm ethical code to be followed by Directors, employees and consultants alike throughout the entire organisation. The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole which in turn will impact the Company's performance. 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 and consultants behave. The Company strives to achieve and maintain an open and respectful dialogue with employees, regulators, suppliers 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 import 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 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 which came into effect in 2016.

## **Principle Nine**

### *Maintenance of Governance Structures and Processes*

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved for the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business delegated by the Board to the Chief Executive Officer. The Chief Executive Officer manages the interface with shareholders.

### *Audit Committee*

During the financial year ended 31st December 2017 the Audit and Committee was chaired by J.D. McGraw with Charles Wood being the other member of the Committee. From October 2018 Paolo Amoruso has taken over as Chairman of the Audit Committee with Sarah Cope & JD McGraw being the other members of the Committee. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported. It receives reports from the executive management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit and Committee meets not less than twice in each financial year and it has unrestricted access to the Company's auditors.

### *Remuneration Committee*

The Remuneration Committee comprises Sarah Cope as Chairman with Paolo Amoruso being the other member of the Committee. The Remuneration Committee reviews the performance of the directors and employees and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also considers and approves the granting of share options pursuant to the share option plan and any other form of remuneration pursuant to the Company's Remuneration Policy.

### *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 Chairman and non-executive directors insofar as both the 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. The Chairman may serve as a Non-Executive Director before commencing a first term as Chairman.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

### **Principle Ten**

#### *Shareholder Communication*

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders in compliance with regulations applicable to companies listed on the AIM exchange. All shareholders are encouraged to attend the Company's Annual General Meeting where they will be given the opportunity to interact with the Directors.

Investors also have access to current information on the Company through its website, [www.mayanenergy.co.uk](http://www.mayanenergy.co.uk), and via Charlie Wood, CEO who is available to answer investor relations enquiries. The Company proposes in 2018, subject to the necessary formalities, to move to electronic communications with shareholders in order to maximise efficiency.

The Company shall include, when relevant, in its annual report, any matters of note arising from the Audit or Remuneration Committees.