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Eland Oil and Gas PLC

Statement of Compliance with the QCA Corporate Governance Code Chairman's Introduction

The following summarises how the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") is applied by Eland and how its application supports Eland's strategy for delivering medium to long-term success for the Company and its shareholders.

I am satisfied that the Company has been founded upon, and continues to be managed with, a robust commitment to good corporate governance as an essential ingredient of success. The Board believes this is vital to creating a sustainable, growing business and one of my key responsibilities as Chairman is to oversee Eland's commitment to good corporate governance as a central feature of perspective and practice within Eland.

The Board is committed to ensuring that Eland Oil and Gas PLC is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. My fellow directors and I are resolute in our belief that good corporate governance is a critically important part of that job, reducing risk and adding value to the Company.

Russell Harvey,

Chairman

Changes to corporate governance regime

By resolution passed on 19 September 2018, the Board formally adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. This report sets out in broad terms Eland's current compliance against the code. Annual updates will be provided.

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

Eland Oil and Gas PLC is a full cycle oil and gas company, focused on continuing to build and develop a portfolio of producing upstream oil and gas assets in West Africa. The Company is committed to building long-term value for shareholders.

The Company creates value primarily by developing and producing oil. To achieve this, the company aims to deliver development and appraisal projects, increase production and identify further opportunities to replace and

grow produced reserves through selective low risk exploration and appraisal. This requires the company to be adequately funded as a prime objective and this is effected through a mix of options and portfolio management.

Eland's business model is designed to enable us to manage risks and deliver Eland's long-term strategy for growth.

In support of these objectives, Eland is committed to:

- Protecting its people to ensure sustainable operations;
- Establishing and upholding high standards of governance coupled with a strong and effective risk management;
- Engaging a multi-disciplined, diverse and entrepreneurial team; and
- Making a positive and lasting contribution where it operates.

Eland's business model is structured to secure assets with low entry cost and enhance value through expert knowledge and development

The Company has structured its business and executive and employee arrangements to align with this strategy. Performance is measured against targets and KPIs set on a progressive long-term growth and value enhancement basis. This has been done by putting in place long term performance reward schemes for executives and staff, with rewards linked to sustainable long-term achievement and value enhancement, all consistent with the strategic objective of delivering long term value to Eland's shareholders.

Principle 2: Seek to understand and meet shareholder needs and expectations

Communications with shareholders are given a high priority by the Board of Directors who take responsibility for ensuring that a satisfactory dialogue takes place, to ensure that Eland's strategy and business model, as well as its performance, are clearly understood. The Company engages with the market via a mix of investor roadshows, attending industry conferences, including the annual African Oil & Gas Conference, and hosting an annual capital markets day, as well as having regular discussions with investors.

The Company also disseminates information through the Annual Report, Interim Reports and website (www.elandoilandgas.com), which includes a Q&A section setting out information in a considered way and also makes available the material from Eland's annual Capital Markets Day. The Company has dedicated Investor Relations and senior executives available to discuss shareholder questions.

The AGM is also an important annual forum for dialogue with shareholders and the Board.

The Directors actively seek to build a relationship with institutional shareholders and other financial institutions. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

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

The Company recognises the importance of engaging constructively and proactively with stakeholders. This strengthens relationships and facilitates better business decisions to deliver on commitments. In addition to staff, shareholders, customers and suppliers, the Group interacts with government partners, host communities, regulatory bodies and Elcrest's indigenous shareholder. The Board is regularly updated on stakeholder feedback to stay abreast of stakeholder insights into the issues relevant to them and Eland's business, and to enable the Board to understand and take account of these issues in decision-making.

Employees

The Company places great emphasis on providing employees not only with reward and recognition for their contribution to the business, but also the tools, facilities and environment to assist their efforts. This is especially important as Eland pursues its significant growth agenda.

In the last six months the Company has:

- Formalised a salary and grade structure to support staff development;
- Launched a new internal intranet tool to support collaborative work and effective data management;
- Expanded the Aberdeen office to provide a roomy and attractive working environment;
- Began the process of expanding the range of HR policies and procedures to support Eland's growth agenda; and
- Carried out a more rigorous performance appraisal process with results tied to merit increases.

Communities

The Company is committed to ensuring that host communities benefit from the Company's operations. Eland works closely with its indigenous Nigerian workforce and partners and enjoys excellent relationships with local communities. We take Corporate Social Responsibility extremely seriously and believe that this is reflected in the Company's ongoing growth and local support.

As part of Eland's Corporate Social Responsibilities ("CSR"), Eland's joint venture subsidiary, Elcrest Exploration and Production Nigeria, in partnership with the Nigerian Petroleum Development Corporation, has carried out several programmes for the host communities Opuama and Tsekelewu since the acquisition of OML 40 in 2012. Further details of these programmes and of other benefits derived by local communities from Elcrest's operations are available to view on the Eland website (www.elandoilandgas.com) and in the Annual Report.

Joint venture partners and governmental regulators

The relationship with the Group's joint venture partners is very important. In the case of OML40, Elcrest's joint venture partner is the National Petroleum Development Company, and in the case of Ubima, it is All Grace Energy. These relationships are maintained by close contact and regular meetings, including Operating Committee meetings pursuant to the relevant Joint Operating Agreements, and the Company is closely aligned with its joint venture partners in terms of shared goals and commitments by virtue of the licence partnership relationships.

The Company works with its joint venture partners to ensure relationships with the Nigerian regulatory bodies, including the Department of Petroleum Resources ("DPR"), remain professional, productive and effective.

Modern slavery

Eland opposes modern slavery in all its forms and will try to prevent it by any means at the Company's disposal. Eland expects anyone who has any suspicions of modern slavery in any way connected to its business to raise their concerns without delay. The Company includes its supply chain and contractors in these requirements. Eland's Modern Slavery Statement, published in accordance with the UK Modern Slavery Act 2017, is available to view on the Eland website: www.elandoilandgas.com

General

The Company requires all staff to sign up to Eland's Code of Conduct which lays out the standards of behaviour and ethics to be observed at all times.

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

Audit, risk and internal control

Financial controls

The Company has in place policies on internal control and corporate governance, the effectiveness of which is regularly reviewed by the Board in light of an ongoing assessment of significant risks facing the Company. These have been prepared to ensure, among other things, that:

- proper business records are maintained and reported on, against budgets, explaining any deviation from plan;
- KPIs are regularly prepared to monitor the performance of the Group and are presented to the Board at regular intervals;
- Budget proposals are submitted to the Elcrest Board at least two months before the start of each financial year;
- Budget proposals are submitted to the Eland Oil and Gas PLC Board no later than one month before the start of each financial year;
- accounting policies and practices suitable for the Group's activities are followed in preparing the financial statements;
- the Group is provided with general accounting, administrative and secretarial services as may reasonably be required.

Interim and annual financial statements are prepared and submitted in time to enable the Group to meet statutory filing deadlines.

The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury, tax and dividend policy. Results and variances from plans and forecasts are reported to the Board on a regular basis.

The Audit Committee meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and for meeting with the auditors and reviewing findings of the audit with the external auditor.

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.

The Company has a consistent system of prior appraisal for investments, overseen by the Chief Financial Officer and Chief Executive Officer, with defined financial controls and procedures with which each business area is required to comply in order to be granted investment funds for development.

Non-financial controls

The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to the Company's plan. Effective risk management is a standing item on the Agenda of every Board Meeting. The Board has initiated a rolling business risks review process, whereby managers across the Group's business are required to assess risks and record these on a Business Risks Register, which is updated on a quarterly basis via a process organised and managed by the Compliance Manager.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness, and the Board considers that the internal controls in place are appropriate for the size and risk profile of the Group. The Board will continue to review the Group's systems of internal control with a view to ensuring compliance with best practice, while also having regard to the scale of the Group's business and the resources available.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of those standards and policies are the 'Code of Conduct' and the 'Modern Slavery Act Statement'. Senior managers are responsible for the implementation of these procedures and compliance is monitored.

Re-assessment

The Group has established a Business Risks Register. Risks facing the business are re-assessed on a quarterly basis, and potential mitigating actions are considered and implemented to help protect against those risks. The review is reported to the Board on a quarterly basis. The Business Risks Register was most recently considered by the Board on 19 September 2018.

Code of Conduct

Eland's Code of Conduct sets out how employees and contract staff should behave, and what they should do if they are confronted by bribery or corruption. Eland requires all employees and contract staff to apply the Code's principles consistently in all aspects of their day-to-day work.

The Code is sent to everyone in the Group. Each employee/contract staff member requires to sign a declaration confirming having read the Code and to declare on an annual basis that (s)he is compliant and is not aware of any non-compliance.

Legal controls

In the past year the Company has engaged a legal advisor in the UK and a compliance manager based in Nigeria. The Company also has a panel of well-respected external law firm advisers both in the UK and Nigeria, who have been available to assist the Group in setting these controls in place.

Training

The Company has compulsory online anti bribery and corruption training in place for all staff, and provides other training as required. Staff are also able to attend external training courses and seminars.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Non-Executive Chairman, two Executive Directors and five Non-Executive Directors. The Board considers that four of its non-Executive directors are independent directors, namely Russell Harvey (Chair), Grégory Stoupnitsky, Brian O’Cathain and Nicholas Gay. During the last twelve months, two new independent non-executive directors, Brian O’Cathain and Nicholas Gay, have been appointed to the Board.

The Board is of the considered view that the Non-Executive Directors bring an independent judgement to bear. All Directors are encouraged to use their independent judgement and to critique and challenge all matters, whether strategic or operational.

The Board is satisfied that its members have the necessary skills and experience, and balance between independence, and knowledge of the Company, to enable it to discharge its duties and responsibilities effectively. Part of the remit of the Nominations Committee is to keep the composition of the Board and the balance of skills and experience thereon, under regular review (see under heading **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**, below).

All Board members attended meetings as scheduled. During 2017 there were fourteen Board, four Audit Committee, three Remuneration Committee, one Reserves Committee and two Nomination Committee Meetings.

The Remuneration Committee has been particularly active and effective over the last year in implementing both a long term incentive plan and annual bonus programme based upon agreed KPI’s, thus aligning the interests of both shareholders and management. Currently the Remuneration Committee is chaired by the Chairman of the Board. It is anticipated that over the next year an additional non-executive director will be appointed to this committee with a view to a change in chairmanship over time in conformance with the QCA code.

Directors’ conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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

The Board is satisfied that, among the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of upstream oil and gas industry expertise, both technical and managerial, finance and capital markets. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

The Company through the Nomination Committee actively encourages the inclusion of appropriate candidates from all backgrounds and genders when conducting external searches when considering non-executive director appointments. These searches are outsourced to provide the broadest spectrum of candidates.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment. Over the last fifteen months the Board has used external search consultants to identify and appoint two new non-executive directors to strengthen both its technical and financial skill sets. Those processes were successfully concluded with the appointments of Brian O'Cathain (on 1 October 2017) and Nicholas Gay (on 22 June 2018). Brian O'Cathain was subsequently appointed as Chair of the Technical and Reserves Committee on 1 October 2017 and Nicholas Gay assumed the Chair of the Audit Committee with effect from 19 September 2018.

For more observations on the committees reporting to the Board, see statement content under heading **Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**, below.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Chief Financial Officer.

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

The Chairman, Russell Harvey, on an ongoing basis, assesses the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

In addition, over the next 12 months and on an annual basis thereafter, the Company intends to review the performance of the Board of Directors as a unit to ensure that the members of the board collectively function in

an efficient and productive manner. That review will include a description of the board performance including the criteria against which it is considered. Moreover, all future Annual Reports will also describe in detail the remit and objectives of each Committee and summarise specifically what each Committee has done during the year covered by that Annual Report. This information together with each member's attendance and both individual and collective performance will be measured and assessed.

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

The Company is committed to abiding by and promoting exemplary standards of ethical behaviour. We also recognise that economic activity and social responsibility should go hand in hand. Promoting a culture which secures this is not only the right thing to do but is also what is in the best interests of the Company.

In promoting this culture, the Company has put in place:

- a Code of Conduct which requires proper observance of ethical behaviour, including a zero-tolerance approach to bribery and corruption, and a whistle-blowing policy and accompanying procedures;
- an annual requirement that every member of staff certifies his or her compliance with the Code;
- a Modern Slavery Act policy;
- a Corporate Social Responsibility programme (examples of this in action are given above under the heading **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**);
- anti-bribery training for all staff;
- a share dealing code (based on AIM Rules), and the Company takes all proper and reasonable steps to ensure compliance by the Directors and relevant employees.
- The Group has recently appointed a Compliance Manager.

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

Board programme

The Board meets at least five times each year in accordance with its scheduled meeting calendar. The Board sets the direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to give an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of the Group. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

Executive Team

The Executive Team consists of George Maxwell as Chief Executive Officer and Ron Bain as Chief Financial Officer with input from the senior managers and teams. They have responsibility for formulating the strategic priorities and direction of the Company for submission to the Board, the day-to-day management of the Group's businesses and its overall operational and financial performance in fulfilment of that strategy. They also have responsibility for delivering against the plans and budgets approved by the Board.

The Executive Team also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the Board on progress against plans, any material issues arising and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board committees

The Board is supported by the Audit, Remuneration, Technical and Reserves, and Nomination committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties.

Further details of the terms of reference and composition of each of the Committees may be viewed on the Eland website: www.elandoilandgas.com.

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

The Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders, are the main means by which the Group communicates with shareholders. In addition, a range of corporate information (including all Company announcements and presentations) is available to shareholders, investors and the public on the Company's corporate website: www.elandoilandgas.com

The Board receives regular updates on the views of shareholders through briefings and reports from Investor Relations, the Chief Executive Officer, Chief Financial Officer and the Company's brokers. Management engages

with institutional investors frequently. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Company holds an annual Capital Markets Event in the UK to explain its business and strategy to investors.

September 2018