

Corporate Governance

The Board recognises the importance of sound corporate governance and complies with the main provisions of the Quoted Company Alliance (“QCA”) corporate governance guidelines for AIM companies insofar as they are appropriate, given the Company’s size and stage of development. The main features of the Company’s corporate governance arrangements are:

The Board

The Board of directors of Union Jack Oil plc consists of two executive directors and two non-executive directors, who were responsible for the proper management of the Company. The Board regularly meet in person or by telephone, as permitted by the current articles of association, during the year to review trading performance and budgets, ensure adequate funding, set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board has a formal schedule of matters specifically reserved to it for decisions.

Committees

The Company has an Audit Committee and a Remuneration Committee. These committees consist of the non-executive Directors.

Audit Committee

The Audit Committee meet twice each year and determines the terms of engagement of the Company’s auditors and will determine, in consultation with the auditors, the scope of the audit. The audit committee will receive and review reports from management and the Company’s auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will have unrestricted access to the Company’s auditors.

Remuneration committee

The Remuneration Committee meets annually and determines the scale and structure of the executive directors’ and senior employees’ remuneration and the terms of their respective service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors of the Company will be set by the Chairman and executive members of the Board.

Membership of the audit and remuneration committees

The Company has an audit committee and a remuneration committee with formally delegated duties and responsibilities. The audit committee comprises of Raymond Godson and Martin Durham, with Raymond Godson as chairman and the remuneration committee comprises of Raymond Godson and Martin Durham, with Martin Durham as chairman.

The Company does not have a Nominations Committee

Internal Financial Control

The Board are responsible for establishing and maintaining the Company’s internal financial control systems. These are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The key procedures that the directors have established to provide effective internal financial controls are:

Identification of Business Risks

The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate course of action to manage these risks.

Investment Appraisal

Capital expenditure is regulated by authorisation limits. For expenditure beyond the specified limits including investments in exploration projects, detailed proposals are submitted to the Board for review and sign-off.

Financial Reporting

The Company has a comprehensive system for reporting financial results to the Board.

Audit Committee

The Audit Committee monitors, through reports made to it, the controls that are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external auditor.