

Statement of Compliance with the QCA Corporate Governance Code

Chairman's Introduction

Our values are based on the principle of "Doing the right thing" for all stakeholders. The Board believes this is vital to creating a sustainable, growing business and is a key responsibility of the Group.

It is the Board's job to ensure that the Rose Petroleum plc group of companies is managed for the long-term benefit of all stakeholders, with effective and efficient decision-making. Corporate governance is an integral part of that job.

My role as Chairman of the Board remains separate to, and independent of, that of the Chief Executive and we both have clearly defined responsibilities. One of the key parts of my role is to have ultimate responsibility for Corporate Governance across the Group.

Philip Jeffcock
Non-Executive Chairman

Changes to corporate governance regime

The Board has adopted the Corporate Governance Code (2018) in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-quoted companies to adopt and comply with a recognised corporate governance code. This memorandum sets out in broad terms how we currently comply. We will provide annual updates on our compliance with the code.

The Company intends to review the contents of its Annual Report for the year ended 31 December 2018 in relation to the various disclosures required by the QCA's Corporate Governance Code (2018).

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

The Company is a natural resources exploration and production company with properties primarily in North America. Our goal is to develop those properties into profitable producing assets. We carefully assess opportunities that are presented to us and select only those which, using our experienced team, we believe have the best chance of succeeding. The key challenges facing the Company in the execution of this strategy are the ongoing permitting and funding requirements for the roll out of the development programme. Please refer to the Strategic Report on pages 4-10 of the Company's 2017 Annual Report for an in-depth review of the Company's recent activity.

2: Seek to understand and meet shareholder needs and expectations

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences and our regular reporting. The Company also makes regular operational announcements to keep shareholders and the market updated on operational activity and progress. The Company also makes available corporate presentations on the 'corporate documents' page on the 'investors' area on the Company's website.

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. Going forward, the results of the AGM will subsequently be published on the Company's website www.rosepetroleum.com.

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer and Chief Financial Officer.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chief Executive Officer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Senior Independent Director are available to meet with major shareholders if required to discuss issues of importance to them.

3: Take into account wider stakeholder and social responsibilities

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.

4: Embed effective risk management, considering both opportunities and threats

The Company has in place a risk management framework which identifies and addresses relevant risks with comprehensive financial and non-financial internal controls.

Audit, risk and internal control

Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- 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. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.
- 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.
- 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.

Non-financial controls

The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan.

The Board has ultimate responsibility for the Company's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- Detailed monthly reporting of performance against budget
- Central control over key areas such as capital expenditure authorisation and banking facilities

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. The key elements of those non-financial controls are set out below.

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 such standards and policies include the 'Anti Modern Slavery Policy' and 'Employee Code of Conduct'. All policies are underpinned by our culture of "Doing the right thing for our customers, people and suppliers".

Approval process

All material contracts are required to be reviewed and signed by a senior Director of the Company and, where appropriate, independent advice is sought from our legal counsel.

Re-assessment

Risks facing the business are re-assessed regularly, and potential mitigating actions are considered and implemented to help protect against those risks.

Code of Conduct

Our Code of Conduct includes guidance on anything that could get our employees into trouble, (including business integrity, anti-bribery, gifts, intellectual property, use of social media and design rights) they are sent to everyone in the Company.

Legal controls

The company retains the legal services of Memery Crystal LLC for all legal advice.

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 one Non-Executive Director. Biographies for the Board can be found on the Company's website <http://rosepetroleum.com/about-us/the-team/>

The Non-Executive Chairman also acts as Senior Independent Director. The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear.

The Board is satisfied that it has a sufficient blend between independence on the one hand, and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required. Board meetings take place every 4 to 6 weeks, normally held by telephone conference owing to the diverse geographic locations of the Board members.

In 2017, the Company held monthly Board meetings and these were attended by every Director of the Company.

Key Board activities this year included:

- Continued an open dialogue with the investment community, including meetings with the new Chairman and Senior Independent Director
- Considered our financial and non-financial policies
- Discussed strategic priorities
- Discussed the Group's capital structure and financial strategy, including capital investments
- Discussed internal governance processes
- Reviewed feedback from shareholders post full and half year results

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.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of exploration, development and production of oil and gas facilities. 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 blend of relevant experience, skills and personal qualities and capabilities enable Rose to

successfully execute its strategy. The executive directors attend webinars, conferences and receive regular industry updates to keep their knowledge and industry expertise current.

The Board and the Company's senior management team has a mix of technical skills (e.g. geophysicists, engineering, regulatory and environmental compliance), sector experience (resources exploration in relevant jurisdictions), public company experience and financial expertise to enable it to deliver on its strategy.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous procedure for appointments to ensure the Directors have the requisite skill sets to carry out their roles. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

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 Company Secretary and Chief Financial Officer.

Whilst there is not currently a balance of genders on the Board, the Company's directors look to appoint individuals with complementary skills and experience to fulfil the Company's strategy, regardless of gender.

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

Since the appointment of Philip Jeffcock as Chairman, he has been assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they have a commitment to progressing the Company's objectives in order to increase shareholder value
- Where relevant, they have maintained their independence

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner.

The Chairman and the Board discuss succession planning for Board members on a regular basis.

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

The Company has adopted a schedule of Matters Reserved for the Board. This includes the approval of Group strategy and policies, major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the ordinary course of business, reviewing the functioning of the internal control environment and reviewing corporate governance arrangements. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It also retains oversight of the risk management and internal control systems with the aim that these are sound and protect shareholders' interests. This is kept under review by the Audit Committee under its terms of reference.

The Board and directors take a forward-looking, proactive approach to culture within the Group in order to achieve a level of discipline that aides management with its oversight of risks within the business. There are several values that are important to Rose including:

- Promoting a culture of respect and tolerance: team members at Rose work well together across a broad range of projects; being a team player, honesty and straightforwardness in the office and among employees are values that are highly regarded at Rose.
- Importance of the individual: at Rose we recognise that the business would fail without the loyalty of our employees, so we encourage free-thinking and individuality in the workplace wherever possible.

9:Decision-making by the Board

Board programme

The Board meets at least eight times each year in accordance with its scheduled meeting calendar.

The Board sets direction for the Company through a schedule of matters reserved for its decision. Board meetings are arranged to fit the varied travel schedule of Directors and are held at least every 6 weeks. 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 schedule of matters reserved to the Board. It is responsible for overall Company strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all subsidiaries, their annual budgets and their performance in relation to those budgets. 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. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are normally held by telephone conference.

Executive Team

The Executive Team consists of The Chief Executive Officer and the Chief Financial Officer with input from the other directors. They are responsible for formulation of the proposed strategic

focus for submission to the Board, the day-to-day management of the Company's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress 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 and Remuneration 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. Please refer to the Corporate Governance Statement on pages 14 and 15 the Company's 2017 Annual Report for further information on these committees.

10: Maintain a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through 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. The Company also keeps shareholders updated on progress and developments through its regular market announcements. The CEO remains a key part of encouraging shareholder interaction and listening to feedback. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's website; www.rosepetroleum.com.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

Going forward, the Company's website will include the following:

- disclosure of any instances where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, an explanation of what actions the Company intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.
- historical annual reports and other governance-related material, including notices of all general meetings over the last five years

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