

CORPORATE GOVERNANCE STATEMENT

Last reviewed on 28 September 2018

Introduction

Under the aim Rules for Companies, Zoltav (the “Company”) is required to maintain details on its website of a recognised corporate governance code that the Company’s board has decided to adopt, how the Company complies with this code and an explanation of any departure from the code. This information will be reviewed at least annually.

The directors recognise the importance of high standards of corporate governance. As an AIM listed junior oil and gas exploration and production company, the directors have concluded that they will seek to comply with the Quoted Companies Alliance’s Corporate Governance Code (the “Code”). Our report sets out in broad terms how we comply at this point in time. We will provide annual updates on our compliance with the Code.

Lea Verny, in her capacity as non-executive Chairman and senior independent director, is ultimately responsible for ensuring the Company has appropriate corporate governance standards in place and that these requirements are followed and applied within the Company. The corporate governance standards adopted by the directors are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations of the Company. As chairman, Lea Verny is responsible for ensuring that the board’s principles are applied such that Company is managed for the long-term benefit of all stakeholders, with effective and efficient decision-making. Corporate governance is an integral part of that strategy, reducing risk and adding value.

The Nomination and Remuneration Committee develops and reviews the Company’s approach to governance practices, makes recommendations to the board on establishing appropriate policies and practices as well as reviewing structure, size and composition of the board. The Nomination and Remuneration Committee comprises Lea Verny and Alexander Gorodetsky (as chairman).

We believe the directors have a responsibility for setting an example to all employees, ensuring that they are aware of their responsibility to act lawfully and conduct themselves in accordance with high standards of integrity.

Recent Governance Developments

The directors concluded in September 2018 that the Company will seek to comply with the Code. There were no further corporate governance developments in 2018 to date. The composition of the board of directors and the board committees has remained unchanged.

Corporate Governance Report

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

Principle One

Business model and strategy

Zoltav is an oil and gas exploration and production company focused on Russia. Zoltav holds the Bortovoy Licence in the Saratov region of South Western Russia. The Bortovoy Licence contains a number of productive gas fields, a processing plant and significant exploration prospectivity. An exploration programme is underway on the Mokrousovskoye block in the eastern part of the Bortovoy Licence to assess the resource potential of the deeper Carbonian and Devonian structures. Zoltav also holds the Koltogor E&P Licence, a 528 square kilometre area in the Khantiy-Mansisk Autonomous Okrug of Western Siberia; and Koltogor E&P Licence 10, a 167 square kilometre area due west of the Koltogor E&P Licence. Development activities on the Koltogor Licences are currently on hold.

The directors currently believe that the best strategy to maximise shareholder value is through an operational focus on the Bortovoy Licence. Management took the strategic decision in 2017 to transition the operational emphasis of the Company from production to exploration, while continuing to generate cash from the Permian fields already in production at Bortovoy. Zoltav believes there is potential to yield additional reserves and production from the Carbonian and Devonian horizons at Bortovoy which, if proven, would have a transformational impact on the size of the asset. The availability of modern seismic imaging, drilling and production technologies has enabled the Company to develop a work programme targeting these deeper structures.

A 3D seismic acquisition programme was undertaken in 2017 over the Carbonian and Devonian (and also prospective Permian) structures in the North Mokrous area of the Mokrousovskoye block, and continued into 2018, using first-class contractors to acquire, process and interpret data.

Management are currently focused on maximising the potential of the Bortovoy Licence through this exploration programme targeting additional reserves; as well a strategy to maximise production potential from the shallower Permian fields already in production. As with all oil and gas exploration, there is a degree of geological risk involved. Zoltav seeks to minimise geological risk through the use of seismic data to influence and inform its work programme. The Company is exposed to declining production while it is evaluating low geological risk strategies to add additional production. The Company seeks to mitigate these challenges by maintaining a high focus on operational efficiency to eliminate the impact on profitability arising from the decline in production. For example, the use of new and improved chemical agents for the treatment of gas enabled the Company to reduce planned plant shutdowns by two during 2017 and save on the associated downtime. Zoltav has a system of individual goal-setting for middlechain technical staff and incentives for bringing additional ideas for operational excellence. This resulted, for example, in a successful scheme to re-use light fractions of hydrocarbons which were previously flared, resulting in an increase in liquids available for sale.

The Company is also exposed to changes in gas and oil sales prices. The majority of revenue is currently derived from the sale of gas to Mezhhregiongaz, a Gazprom subsidiary, at the transfer point on entry to the Central Asia – Center gas pipeline system on a fixed price basis. The Company has successfully negotiated price increases at appropriate intervals. The rest of the Company's revenue is derived from the sale of oil and condensate to a small number of different buyers either directly at the Western Gas Plant or via a petroleum storage depot with access to the railway. The sale price is set through a tender process starting each month following the publication of the Rosneft tender results, which influence domestic oil prices, enabling the Company to maximise its sale prices for oil and condensate.

The Company also seeks to minimise geological and operational risk by employing highly experienced technical and operational staff and contractors.

Principle Two

Understanding shareholder needs and expectations

The directors are committed to maintaining good communications and having constructive dialogue with the Company's shareholders. The Company has close ongoing relationships with its large private shareholders. In addition, all shareholders have the opportunity to attend the Company's Annual General Meetings. The Company held its 2018 Annual General Meeting in London to make it easier for minority shareholders to attend and engage in dialogue with members of the board. Shareholders also have access to current information on the Company through its website, www.zoltav.com. Shareholders may contact the Company by emailing info@zoltav.com. Shareholders may also contact the Company's UK-based investor communications agency by emailing zoltav@vigocomms.com.

Principle Three

Considering wider stakeholder and social responsibilities

The directors recognise 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 in place a range of processes and systems to ensure there is close oversight of the Company's operations – including requiring senior management to be located close to the Bortovoy Licence. Management engages in regular communication with employees and listens to feedback. This approach has proved successful. For example, a system of goal-setting and incentives for middlechain technical staff to contribute ideas resulted in a successful scheme to re-use light fractions of hydrocarbons which were previously flared, resulting in an increase in liquids available for sale.

The Company's highest priority is providing a safe and healthy work environment and to conducting activities in a safe and environmentally protective manner. Employees and officers are expected to perform their duties consistent with the site-specific safety and environmental rules and regulations and are expected to obey all local, regional and national laws and regulations. The Company is committed to the goals of: avoiding harm to all personnel involved in, or affected by, Company operations; complying with all the applicable legal and other requirements where we operate; and achieving continual improvement in HSE performance. The directors recognise that the welfare of its staff is key to successful and safe operations. Management are committed to continually looking for ways to improve the working environment. For example, in 2017, Zoltav changed its supplier of personal safety equipment, placing a strong emphasis on weight reduction and stress-testing key equipment including suits, gloves, boots and gas respirators. The Company continues to offer a market leading health insurance plan, which includes direct access to any nearby clinics. Zoltav is proud to provide sponsorship for higher technical education for employees seeking to advance their engineering and technology skills.

Environment

We recognise that oil and gas exploration and production activities can have an impact on the environment. As such the Company aims, wherever possible, to implement processes to avoid, mitigate or manage any adverse impacts. The Company is committed to employing highly competent personnel who share the Company's values and who are themselves committed to implementing high standards of environmental performance in everything they do. For example, the Company and its

seismic contractor maintained close contact with local communities to ensure minimal impact on communities and wildlife during the substantial seismic programme undertaken in 2017.

Community engagement

Zoltav knows that local communities are key stakeholders and positive relations with local communities are central to the success of oil and gas operations. The Company is committed to building and utilising skills available locally at all levels. The Company has an active community relations programme including, for example, carrying out repair and redecoration works to local facilities, such as schools, and carrying out infrastructure improvements in local villages. The Company has also sponsored a local initiative aimed at combatting drugs and crime amongst teenagers through active participation in sports.

Principle Four

Risk management

The directors have embedded effective risk management structures across the business. The table below summarises certain key identified risks and the controls in place to mitigate those risks.

Activity	Risk	Impact	Controls
Personnel	Recruitment and retention of key personnel	Reduction in operating capability and technical expertise	Maintaining a safe working environment and emphasis on employee welfare; and incentives
Regulatory adherence	Breach of rules	Ability to operate	Strong compliance regime installed at all levels of the Company
Geological	Unsuccessful hydrocarbon exploration and development activities	Loss of capital; decline in production revenues	Invest in high quality seismic acquisition and interpretation programmes; and experienced technical staff
Financial	Inappropriate controls and accounting policies; debt risk	Inability to continue as going concern; reduction in asset values; incorrect reporting of assets; inability to service debt	Strong capital management policies and procedures; ensure access to competitive debt facilities; Audit Committee (see section below)

Audit risk

The directors have established an Audit Committee with formally delegated duties and responsibilities. The Audit Committee comprises Andrey Immel and Lea VERNY (as chairman) and meets up to three times a year. The Audit Committee is responsible for ensuring that the Company's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit, the work of the internal audit function and compliance by the Company with statutory and regulatory requirements. The Audit

Committee also advises the board on the appointment of the external auditors, reviews their fees and the audit plan. It also approves the external auditors' terms of engagement, their remuneration and any non-audit work. The Audit Committee also meets the Company's auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets with the auditors as and when the Audit Committee requires.

Legal controls

The Company retains the services of outside legal advisers to consult on corporate matters. Operational legal controls are also in place at the operating company in Saratov through implementation of cross-functional reviews and approval of all legal documents. Mikhail Evteev, who has experience of working as a judge in Saratov, is responsible for all operational legal controls. All legal matters related to Cayman and Cyprus laws are handled by Carey Olsen and Meritservus respectively.

Principle Five

A well-functioning board of directors

The board comprises the independent non-executive chairman (Lea Verny), who also serves as senior independent director, one independent non-executive director (Alexander Gorodetsky) and one non-executive director (Andrey Immel), who is a nominated representative of Bandbear Limited, a substantial shareholder. The directors are satisfied that the board has a suitable balance 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. All directors are considered to be part-time but are expected to provide as much time to the Company as is required. The board met three times in 2018 with all members present. The Audit Committee meets up to three times a year. The Nomination and Remuneration Committee meets once a year.

Principle Six

Appropriate skills and experience of the directors

The board comprises three directors. The Company also retains a Corporate Administrator, CO Services Cayman Limited.

Zoltav's board is lean, efficient and appropriately skilled. The board has been liaising rapidly and effectively with the management team in Saratov where proximity to the asset enables them to make well-informed and swiftly executed decisions. The relevant experience and skills of the directors are summarised below:

Lea Verny

Independent Non-executive Chairman/Senior Independent Director

Lea Verny was appointed as non-executive director in December 2016 and subsequently as non-executive Chairman in March 2017. She has significant and high level corporate finance experience, with particular expertise in Russia. Since 2008, Lea Verny has acted as an independent financial adviser on cross-border transactions. Prior to becoming an independent consultant, Lea Verny served as a private banker with Banque Pictet, Switzerland, where she was responsible for developing the bank's activities in Russia, following a career of more than a decade with HSBC. From 2001 to 2007, Lea Verny was Head of Investment Banking for HSBC Bank plc in Moscow, during which time she advised on

structured transactions for large Russian and CIS corporations including Lukoil, Rostelekom, Eastern Oil Company and Rosbank. Between 1997 and 2001, Lea Verny was a representative of HSBC Investment Bank plc in Russia, where she was responsible for establishing the bank's presence in the country and developing opportunities specifically within the oil and gas sector. Lea Verny holds a Bachelor's degree in Statistics and International Relations from the Hebrew University in Jerusalem as well as an MBA from INSEAD in France.

Alexander Gorodetsky

Independent Non-executive Director

Alexander Gorodetsky was appointed as non-executive director in September 2015 and is the chairman of the nomination and remuneration committee. He has a wealth of commercial experience in Russia and the CIS, including over two decades in the international oil and gas industry. He began his career in 1995 within Alfa-Eco, a leading gas and oil trading business in Russia, before joining TNK and, later, TNK-BP. He is currently the general partner of Strategy Capital Advisor Limited, a private equity fund established in 2009 with approximately \$0.5 billion under management and a mandate to invest in projects, including within the oil and gas sector, across the former Soviet Union. Alexander Gorodetsky led the successful sale in 2015 of SANORS, a leading Russian petrochemical company under the management of Strategy Capital Advisor Limited, to Rosneft. Prior to Strategy Capital Advisor Limited, Alexander Gorodetsky was first deputy to the chairman of the board of East One Group, an international investment advisory group providing strategic and investment management services to a diversified portfolio of companies. During his time at East One Group, he assisted in the strategic development of over 25 portfolio companies including GEO ALLIANCE Group, one of the leading independent oil and gas exploration and production groups in Ukraine. From 2000-2006, Alexander Gorodetsky was president/business unit leader for TNK-BP Ukraine. He contributed significantly to the increased brand awareness of TNK-BP in the Ukrainian market, where it is among the leading oil and gas companies.

Andrey Immel

Non-executive Director

Andrey Immel was appointed as non-executive director in September 2015. He is an experienced Russian corporate lawyer. He has, since 2012, been the head of the legal department of Moscow-based Contact-Service LLC, a real estate company, where his responsibilities include corporate governance and the provision of legal support for transactions. From 2008-2012, Andrey Immel worked for Himuglemet, a manufacturer of conveyer band and other components for coal mines, both as legal counsel and as a corporate and tax lawyer. His responsibilities included legal due diligence and support for corporate transactions.

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

The Nomination and Remuneration Committee comprises Lea Verny and Alexander Gorodetsky (as chairman). The Nomination and Remuneration Committee leads the process for board appointments and identifying and recommending candidates for appointment to the board.

Principle Seven

Evaluation of board performance

Internal evaluation of directors and committees will be undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance as well as the continuing independence of the independent directors. The areas covered in the internal evaluation may include, among other things, the following:

1. Board's mission and goals
2. Board composition and effectiveness
3. Performance against the plan
4. Protocols and processes
5. Relationships with stakeholders

The Nomination and Remuneration Committee considers all matters relating to directors' conflicts of interest with the Company and is authorised to investigate any activity within its terms of reference and seek information from any employee, director, or service provider to the Company.

Succession planning is considered by the Board as a whole. The Board will review annually and make recommendations relating to talent management and succession planning.

Principle Eight

Corporate Culture

The directors recognise that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The board is aware that the tone and culture set by the directors will impact all aspects of the Company as a whole and the way in which employees behave and the standards they hold themselves to. The directors' approach to corporate governance is designed to ensure that the Company delivers long term value to its shareholders and that the shareholders have the opportunity to express their views and expectations for the Company. The importance of strong ethical values and conduct is central to the ability of the Company to successfully achieve its corporate objectives. The directors believe at present that the Company has an effective culture for facilitating comprehensive dialogue with employees and other stakeholders. As well as operational excellence, our corporate culture places a strong emphasis on corporate, social and environmental responsibility, as set out in Principle Three. Senior management report to the directors on the state of the culture at an operational level.

Corporate code of business conduct and ethics

The Company has a commitment to conduct its business in compliance with all applicable laws and regulations and in accordance with the highest ethical principles. Among the Company's guiding principles are honesty, integrity and quality. The Company's Corporate Code of Business Conduct and Ethics containing these principles has been provided to employees, officers and directors in order to assist them in meeting legal and ethical obligations. This sets forth standards of conduct for all officers, directors and employees of Zoltav and each of its wholly-owned or majority-owned subsidiaries, or joint ventures for which Zoltav has management responsibility, including all full and part-time employees and certain persons that provide services on our behalf, such as agents, representatives and consultants.

Whistleblowing

Zoltav is committed to the highest standards of honesty, openness and accountability and believes that employees play a vital role in achieving this. The Company has implemented a [Whistleblowing](#)

[Policy](#) in the event that an employee is concerned about the conduct of someone in the organisation but is worried about raising this concern. The policy applies to all employees. It also applies to external consultants, contractors and agency staff while working for Zoltav or subsidiaries. The Company expects employees to report any suspicion of failure to comply with legal obligations, criminal offences, actions which endanger the health or safety of employees and members of the public, actions which cause damage to the environment, actions which cause financial loss or reputational damage or actions to conceal any of the above examples of misconduct.

Anti-bribery and corruption

The Company's policy is to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships and implementing and enforcing effective systems to counter bribery. The Company will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. The Company requires anti-bribery clauses in its contracts with external parties.

Principle Nine

Maintenance of governance structures and processes

Ultimate authority for all aspects of the Company's activities rests with the directors. The chairman is responsible for the effectiveness of the board and primary contact with shareholders, while management of the Company's business has been delegated by the directors to the Chief Executive Officer and Group Director of Finance. As the Group grows and develops the Board will periodically review its corporate governance framework to ensure it remains appropriate for the size, complexity and risk profile of the Group.

The directors have established an Audit Committee and a Nomination and Remuneration Committee with formally delegated duties and responsibilities.

Audit Committee

The Audit Committee comprises Andrey Immel and Lea Verny (as chairman) and meets up to three times a year. The Audit Committee is responsible for ensuring that the Company's financial performance is properly monitored, controlled and reported. The Audit Committee is responsible for the scope and effectiveness of the external audit and compliance by the Company with statutory and regulatory requirements.

The Audit Committee also advises the board on the appointment of the external auditors, reviews their fees and the audit plan. It also approves the external auditors' terms of engagement, their remuneration and any non-audit work.

The Audit Committee also meets the Company's auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets with the auditors as and when the Audit Committee requires.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Lea Verny and Alexander Gorodetsky (as chairman) and meets once a year. It sets and reviews the scale and structure of the executive directors' remuneration packages, including share options and the terms of their service contracts. The

remuneration and terms and conditions of the non-executive directors are determined by the directors with due regard to the interests of the shareholders and the performance of the Company. The Nomination and Remuneration Committee also makes recommendations to the board concerning the allocation of share options to employees.

The Nomination and Remuneration Committee leads the process for board appointments and identifying and recommending candidates for appointment to the board. It also develops and reviews the Company's approach to governance practices, makes recommendations to the board on establishing appropriate policies and practices as well as reviewing structure, size and composition of the board. The Nomination and Remuneration Committee also considers all matters relating to directors' conflicts of interest with the Company and is authorised to investigate any activity within its terms of reference and seek information from any employee, director, or service provider to the Company.

Principle Ten

Shareholder communication

The directors are committed to maintaining good communications and having constructive dialogue with the Company's shareholders. The Company has close ongoing relationships with its large private shareholders. In addition, all shareholders have the opportunity to attend the Company's Annual General Meetings. Zoltav is committed to providing full and transparent disclosure of its activities, via the RNS system of the London Stock Exchange. Shareholders also have access to current information on the Company through its website, www.zoltav.com, and may contact the Company by emailing info@zoltav.com.

Lea Verny

Independent Non-Executive Chairman and Senior Independent Director