

STAR PHOENIX GROUP LTD

CORPORATE GOVERNANCE STATEMENT

Chairman's Corporate Governance Statement

This Corporate Governance Statement is current as at 26 October 2020 and has been approved by the Board of Star Phoenix Group Ltd (the “**Company**”).

The Board of the Company and its subsidiaries (the “**Group**”) are committed to achieving and demonstrating robust corporate governance practices which are appropriate for the Group's size and stage of development and which facilitate the long-term performance and sustainability of the Company as well as protecting and enhancing the interests of its shareholders and other stakeholders.

The Board regularly reviews its governance practices to ensure that they remain consistent with the needs of the Group. In addition, the Board monitors developments in corporate governance market practice, expectations and regulations.

The Company has adopted the UK's **QCA Corporate Governance Code for Small and Mid-Size Quoted Companies** (the “**QCA Code**”) as the basis for its corporate governance.

In accordance with the QCA Code and Rule 26 of the **AIM Rules for Companies**, the Company has reviewed its corporate governance in light of the ten principles of the QCA Code, and outlines in this Corporate Governance Statement how the Company complies with those principles and, where it departs from them, its reasons for doing so.

The Corporate Governance Statement below follows the order of the ten QCA Code principles, grouped under the three headings set out in the QCA Code - **Deliver Growth, Maintain a Dynamic Management Framework** and **Build Trust**.

This Corporate Governance Statement and the Company's other ancillary corporate governance related documents can be found on the Company's website: www.starphoenixgroup.com

DELIVER GROWTH

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

The Board works as a cohesive team and pays close attention to the Company's purpose and strategy of long-term growth for shareholders.

The Company aims to generate value for its shareholders through growing production, reserves and revenue from its existing assets in Trinidad and Indonesia. The Company also continues to evaluate new acquisition opportunities.

Further information can be found on pages 7 to 10 of the Company's Annual Report.

Principle 2 Seek to understand and meet shareholder needs and expectations

The Company keeps shareholders and other interested parties informed of performance and major developments via communications through regulatory announcements and its website. Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. This Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.

Shareholders have the ability to communicate with Directors through various means including:

- having the opportunity to ask questions of Directors at all general meetings;
- the presence of the Auditor at AGMs (in person or by teleconference, as practicable and appropriate) to take shareholder questions on any issue relevant to their capacity as Auditor; and
- the Company making Directors and selected executives available to answer shareholder questions submitted by telephone, email and other means (where appropriate).

Traditionally, the key forum for two-way communication between the Company and its shareholders is its AGM. The Board encourages shareholder participation at the Company's AGM and other general meetings of shareholders, and the Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. Shareholders who are unable to attend the AGM or a general meeting may submit questions and comments before the meeting to the Company and or to the Auditor (in the case of the AGM).

The Shareholder Communication Strategy provides that shareholders can register with the Company to receive email notifications when a regulatory announcement is made by the Company, including the release of the Annual Report and half yearly reports.

Shareholder queries should be referred to the Corporate Development Manager and/or Company Secretary in the first instance. Whilst most contact with the Company's investors is with the Corporate Development Manager and Joint Company Secretary, Evgenia Bezruchko, the other Board members receive reports of views expressed by shareholders.

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

The Board takes very seriously the need to maintain good relationships with stakeholders, including its employees and workforce, the local communities within which it operates and the governments in whose jurisdiction it operates. The Company continuously aims to understand their needs, interests and expectations. The Board recognises that this is particularly important for companies operating in the extractive industries.

As outlined under Principle 2, the Board maintains good lines of communication with its shareholders. The Directors also meet with other stakeholders, including employee and workforce representatives, community leaders and government officials where appropriate.

The Company recognises that diversity drives the Company's ability to attract, retain, motivate and develop talent, create an engaged workforce, and continue to grow the business. In view of this, the Board has adopted a Diversity Policy, available on the Company's website. However, recognising that the Company has a small team of Directors and employees, the Board has determined that it will not set benchmarks for gender diversity, and will not report against its progress to achieve any measurable objective.

The Company remains committed however, to ensuring that the best candidates both at a Board and employee level are appointed as opportunities arise regardless of gender, beliefs or racial background.

The Company has also developed a Code of Conduct which has been fully endorsed by the Board and applies to all Directors and employees. The Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The Code of Conduct can be found in the corporate governance section of the Company's website.

The Company expects all employees, suppliers, contractors and consultants to conduct their day to day business activities in a fair, honest and ethical manner as stipulated by the Company's Anti-Corruption and Bribery policy. Management at all levels are responsible for ensuring that those reporting to them, internally and externally are made aware of and understand this policy.

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

Audit/Risk Committee

The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee. Given the

Company's current small size and lack of complexity, the Company does not currently have an Audit and Risk Committee. The Board considers that together with its executive team and relevant advisers, it has sufficient resources in place for effective risk management.

In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Internal Control and Risk Management

The Audit and Risk Committee Charter requires that an Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk management framework continues to be sound. As stated above, the Company does not have an Audit and Risk Committee, so it is the Board who takes responsibility. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the group are appropriate to the size and cost structure of the Company's business.

The Company's Corporate Governance Plan requires the Company to disclose at least annually whether such a review of the company's risk management framework has taken place. A risk review was not undertaken during FY2020, however the Company intends to undertake such review during FY2021. As required by the QCA Code, the Group's subsequent Annual Reports will describe how the Board has embedded effective risk management in order to execute and deliver strategy, including a description of what the Board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.

Note 31 of the Company's Annual Report 2020 contains information on the financial risk management.

Internal Audit

Due to its small size, lack of complexity and given that it is in a project exploration phase of its lifecycle, the Company does not currently have an in-house internal audit function. Instead, reports and reviews into the effectiveness of internal controls are commissioned as required using internal and external specialist resources. It is expected that the requirement for an internal audit function will be considered by the Board in the future.

Risk Exposures

A risk review was not undertaken during FY2020, however the Company intends to undertake such review during FY2021. Information on the Company's financial risk exposures can be found in Note 31 of the Annual Report 2020.

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5 Maintain the board as a well-functioning, balanced team led by the Chair

Board

The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, establishment of Board committees (once the Board is of a sufficient size and structure), Board meetings, access to advice, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, is available on the Company's website.

All Directors have unrestricted access to Company records and information except where the Board determines that such access would be adverse to the Company's interests. The Company Secretary shall distribute supporting papers for each meeting of the Board as far in advance as practicable, and when requested by the Board, the Company Secretary will facilitate the flow of information of the Board, between the Board and its Committees and between senior executives and non-executive Directors.

All Directors may consult management and employees as required to enable them to discharge their duties as Directors. The Board, Committees or individual Directors may seek independent external professional advice as considered necessary, at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

The Chairman's role is to lead the Board, set its agenda, ensure it receives accurate, timely and clear information and oversee the adoption, delivery and communication of the Company's Corporate Governance recommendations. Furthermore, the Chairman ensures effective communication within the Board, and senior management and takes a leading role in determining the composition and structure of the Board.

The Board is satisfied that each Director commits the time necessary to fulfil his role.

Independence

The Board is currently comprised of one independent non-executive Director (Dr Mu Luo), one non-independent non-executive director (Dr YuFeng Meng) and two executive Directors (Mr Zhiwei Gu and Mr Lubing Liu). The QCA Code requires that a board should have an appropriate balance between executive and non-executive Directors and should have at least two independent non-executive Directors. Accordingly, the Board does not comply with the requirements of the QCA Code. The Board's charter provides that where practical, the majority of the Board is comprised of non-executive Directors and that, where practical, at

least 50% of the Board will be independent. The Board will continue to assess the Company's needs as it grows in size and if appropriate, appoint additional non-executive and independent Directors.

Mr Gu, Mr Liu, and Dr Meng are not considered to be independent. The Board has considered and reviewed the independence and effectiveness of Dr Luo, taking into account the guidance in the QCA Code, and is of the view that he continues to be independent in character and judgement and free from relationships or circumstances that could affect his judgement

A profile of each Director is set out in the Company's Annual Report 2020 and on its website.

Chairman

The Company does not currently have an independent non-executive Chairman. The Executive Chairman, Mr Zhiwei Gu, assumes the role of Chairman at the Company's Board and shareholder meetings. The Board will continue to assess the Company's needs as it grows in size and if appropriate, appoint an additional Director to act as independent Chairman of the Company.

Audit/Risk Committee

As explained under Principle 4 above, the Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair. The Company does not have an Audit and Risk Committee as the Board considers the Company will not currently benefit from its establishment given the Company's current small size and lack of complexity. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter. In addition, the Board does not have sufficient independent Directors to satisfy the composition of the audit and risk committee.

Remuneration/Nomination Committee

The Company does not have a Remuneration and Nomination Committee as the Board considers the Company will not currently benefit from its establishment given the Company's current small size and lack of complexity. In addition, the Board does not have sufficient independent Directors to satisfy the composition requirements of the Committee.

The Company's Corporate Governance Plan contains a Remuneration and Nomination Committee Charter that provides for the creation of a Remuneration and Nomination Committee (if it is considered it will benefit the Company). It is envisaged that once the Company is of a sufficient size, it will establish the Committee which will be responsible for arranging the performance evaluation of the Board and individual Directors on behalf of the Board.

In the absence of a Remuneration and Nomination Committee, the full Board is responsible for the determination of the remuneration of Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. Where considered necessary, the Board may engage a remuneration consultant to assist with setting and reviewing the Company's executive and non-executive remuneration policies to ensure the Company

attracts and retains executives and Directors who will create value for shareholders. The Company's policies and practices regarding the remuneration of executive and non-executive Directors and other senior executives are disclosed in this Annual Report.

The Board also carries out the duties that would ordinarily be carried out by the Remuneration and Nomination Committee, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:

- devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and
- all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act.

The Board ensures appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person, or putting forward to security holders a candidate for election, as a Director. When considering the appointment of a new Director, the Board may engage the services of an external executive search firm to identify suitable candidates for consideration and to carry out appropriate reference and background checks.

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

The Board considers the present composition, size and balance in respect of qualifications and experience of the Board to be appropriate and effective for the control and direction of the Group's business at the current stage of its development. Each Director is expected to bring to the Company their experience and skills in the respective fields, in particular their considerable industry experience, to add value to the performance of the Company.

The Board consider their combined skills, experience and expertise to be as follows:

- ***Management and Leadership*** – Business Leadership, Public Listed Company Experience, International Sustainability, Stakeholder Management, Community Relations, Corporate Governance, Human Resources;
- ***Business and Finance*** – Finance Strategy, Competitive Business Analysis, Corporate Financing, Financial Literacy, Mergers and Acquisitions, Risk Management, Tax, Remuneration; and
- ***Oil and Gas Experience*** – Technical Knowledge, Relevant Industry Experience, HSE, Reserves and Resources Assessment.

The Board Charter requires the disclosure of each Board member's qualifications and expertise. Full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report.

The Company has a process to educate new Directors about the nature of the business, current issues, corporate strategy and the Company's expectations of Directors. All Directors are made aware of their rights to access employees, information and resources. Directors are

encouraged to visit the Group's locations and meet with management to gain a better understanding of the Group's operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge base.

The Board does not consider that it is dominated by one person or group of people.

The Board recognises that, as the Company evolves, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.

It is recognized that the composition of the Board is not diverse, including in terms of gender balance, although this is limited as a result of the small size of the Board. Whilst the Company notes the QCA Code recommendations, it recognises that the Company has a small team of Directors and employees, and as such the Board has determined that it will not currently set benchmarks for gender diversity, and will not report against its progress to achieve any measurable objective.

However, the Company remains committed to ensuring that the best candidates both at a Board and employee level are appointed as opportunities arise regardless of gender, beliefs or racial background. The Company recognises that diversity drives the Company's ability to attract, retain, motivate and develop talent, create an engaged workforce, and continue to grow the business. In view of the above, the Board has adopted a Diversity Policy, available on the Company's website.

As the Company and the Board grow in size appropriate consideration will be given to the diversity and gender balance of the Board.

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

The Company's Remuneration and Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company's Corporate Governance Plan, which is available on the Company's website. As explained in relation to Principle 5, the Company does not currently have a Remuneration and Nomination Committee, so it is the Board who take responsibility for this matter. It is envisaged that once the Company is of a sufficient size to establish a Nomination Committee, that committee will be responsible for arranging the performance evaluation of the Board, its committees and individual Directors on behalf of the Board.

In particular, the review will assess the performance of the Board over the previous 12 months and examine ways of assisting the Board in performing its duties more effectively. The review will include:

- comparing the performance of the Board with the requirements of the Board Charter;
- examination of the Board's interaction with management;
- assessing the nature of information provided to the Board by management; and
- evaluating management's performance in assisting the Board to meet its objectives.

A similar review will be conducted for each Committee by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

The Remuneration and Nomination Committee (or, in its absence, the Board) will oversee the performance evaluation of the executive team. This evaluation is based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

The Board will disclose, in relation to each reporting period, whether a performance evaluation was undertaken. A formal performance evaluation of each individual Director was not undertaken during FY2020, however the Company intends to undertake such review during FY2021.

The Board Charter provides that the composition of the Board is to be reviewed regularly against the Company's board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction. In addition, the Remuneration and Nomination Committee (or, in its absence, the Board) shall conduct an annual performance review of the Board that compares the performance of the Board with the requirements of the Board Charter, critically reviews the mix of the Board and suggests any amendments to the Board Charter as are deemed necessary or appropriate.

The Board acknowledges the importance and the value of succession planning in order to ensure that the Company has the benefit of an appropriate mix of skills and experience as the Board and senior management team evolve. The discussions around the Company's strategy, objectives and forward plans, as well as an assessment of the Directors' current mix of skills, experiences and personal qualities, all form the succession plans for the Board.

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

The Company has developed a Code of Conduct which has been fully endorsed by the Board and applies to all Directors and employees. The Code of Conduct is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The Code of Conduct can be found in the corporate governance section of the Company's website.

The Board promotes a sound corporate culture and encourages open and respectful dialogue which results in the Group working together as a cohesive unit. Management decisions reflect the Group's values, culture, policies and procedures wherever appropriate.

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

It is noted that the QCA Code requires that a company should maintain governance structures

and processes in line with its corporate culture and appropriate to its size and complexity, and its capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with a company's objectives, strategy and business model to reflect the development of the company. The Board considers that the Company's current governance structures and processes are appropriate for the current size and stage of development of the Company.

The Board currently consists of an executive Chairman, an executive Director, one non-independent non-executive Director, and one independent non-executive Director. The Company also has two joint Company Secretaries. The qualifications and experience of each member of the Board are stated in the Company's latest Annual Report. As the Company develops, consideration will be given to the appointment of additional Directors, including additional independent non-executive Directors, as are appropriate to the size and stage of development of the Company.

As explained in relation to Principle 5, the Board does not currently have any committees given its current size and the size and stage of development of the Company. It is intended that such committees will be established once the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude, that such committees would be of benefit to the effective operation of the Board.

The Company has adopted a Board Charter that includes a description of those matters expressly reserved to the Board.

BUILD TRUST

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

As explained under Principle 2, the Company keeps shareholders and other interested parties informed of performance and major developments via communications through regulatory announcements and its website. Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. This Strategy outlines a range of ways in which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan. Shareholders have the ability to communication with Directors through various means such as at general meetings, by telephone, email and other appropriate means, as detailed under Principle 2 above.

The Shareholder Communication Strategy provides that shareholders can register with the Company to receive email notifications when an announcement is made by the Company,

including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all regulatory announcements and disclosures are promptly posted. Shareholders queries should be referred to the Company Secretary in the first instance.

The results of voting on resolutions put to shareholders are announced by the Company promptly when they are available. If there has been a significant proportion of votes cast against a resolution at a general meeting, where relevant an explanation will be provided.

The Company's historical annual reports and other governance-related material, including notices of general meetings over the past five years, are available on its website.