

TAU CAPITAL PLC

Statement of Compliance with the QCA Corporate Governance Code

This disclosure was last reviewed and updated on 26 June 2019

Introduction

The board of TAU Capital Plc (the “Company”) has adopted the 2018 QCA Corporate Governance Code (the “QCA Code”). The Board intends to take appropriate measures to ensure that the Company complies with the QCA Code to the extent practicable and commensurate with the size and operations of the Company.

The Company has opted not to include QCA Code disclosures in its annual report and accounts and will instead provide these disclosures via its website, as below.

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

As detailed below, the intentions and strategy of the Company are clear and the methods for progressing this strategy following the disposal of its last asset in Kazakhstan are outlined in the Company’s annual report and financial statements for the year ended 31 December 2018 (the “2018 Accounts”) in the Chairman’s Statement on page 2. The Company’s business model is currently that of an ‘AIM Rule 15 cash shell’.

On 18 September 2018 an Extraordinary General Meeting Circular was announced and distributed to shareholders, which included a proposal for the approval of the disposal of the Company’s sole remaining investment and an amendment to the Company’s investing policy be put to Shareholders (the “Proposal”). The Proposal was approved.

As announced on 18 October 2018, the Company is no longer classified as an investing company and is classified as an AIM Rule 15 cash shell. As such it is required to make an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined under the AIM Rules)) on or before the date falling six months from completion of the Disposal or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million).

On 8 April 2019, a further Extraordinary General Meeting was held at which shareholders approved a fund raising of USD150,000 via a Placing, a distribution to shareholders on record at 5 April 2019, changes to the Board of Directors and consequential changes to the share capital and Articles of Association.

The Board therefore believes that the purpose of the Company, its business model and its strategy are clearly stated.

At present, the Board believes that the main challenge for the execution of the Company’s business model and strategy will be the completion of a reverse takeover or the re-admission of the Company to trading on AIM as an investing company by the relevant date in October 2019, in the absence of which the Company’s ordinary shares will be delisted from trading on AIM.

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The Company intends to provide updates in the event that there is material progress towards a reverse takeover by way of RNS announcements.

Principle 2 Seek to understand and meet shareholder needs and expectations

The Company maintains an enquiries email address (enquiries@fim.co.im) on its website. Enquiries that are received will be directed to the Independent Non-Executive Director, Philip Scales, who will consider an appropriate response, although the Company may be required to exercise discretion as to how shareholder questions shall be responded to.

Because the current strategy is to look for a reverse takeover transaction and this has been made clear to Shareholders via regulatory announcements (which are available on the Company website also), the Board believes that regular shareholder contact is less applicable as with a regularly trading company. Contact is maintained with certain of the Company's larger shareholders (where possible as not all wish to be contacted). This will be kept under review and updated when appropriate reverse takeover targets are identified.

The Company is required to hold an AGM in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action if and when necessary. Where voting decisions are not in line with the Company's expectations the Board intends to engage with those shareholders to understand and address any issues as appropriate.

The Board believes that there is a history of established dialogue with its Shareholders based on the mutual understanding of the objectives of the Company, including regular updates to Shareholders on its strategy and how objectives were achieved. The Board as a whole have responsibility for ensuring that a satisfactory dialogue with Shareholders occurs, which the Board believes is the case.

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

The Board has oversight, accountability and contact with key resources and relationships. The Board understands the importance of engagement with its stakeholders and that this strengthens relationships and helps with business decisions in order to deliver the investment policy.

On the basis of the Directors' experience and their knowledge from the operation of the Company, the Directors believe that the key resources and relationships on which the Company relies (aside from the Company's shareholders) are its shareholders, members of staff of professional advisors, auditors, regulators and industry bodies. The Company encourages feedback from its stakeholders through email communication, telephone calls, face-to-face meetings and discussions. The Board monitors and reviews any feedback received from its stakeholders to ensure an alignment of interests. In particular, the Board has sought feedback from its Shareholders and are grateful for their support and patience these last few years in the Company's attempt to sell its remaining asset.

Among our service providers and advisors, we would like to highlight the Company's Nominated Adviser and the Administrator / Company Secretary with whom the Board representatives communicate and work with in order to ensure compliance of the Group operations with the requirements of AIM. Such dialogue helps the Company in its strategy and aim to become a long term-trusted partner for the shareholders.

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Shareholders

As a publicly listed company, there is a requirement to provide information to ensure that all shareholders understand the Company that they are invested in and what direction the Company is taking. Regulatory requirements include:

- Regulatory News Releases on key events
- Maintaining an up-to-date website
- Annual reports and accounts posted to all shareholders
- Holding an Annual General Meeting
- Maintaining relations via meetings and other general communications

Details of the sale of the remaining asset are included in the 2018 Accounts (on page 2).

As stated above the Company is required to hold an AGM in each year, which gives investors the opportunity to receive feedback from shareholders and take action if and when necessary.

Regulators and professional advisers

As an AIM listed Company, the Company is subject to the AIM Rules for Companies and its professional advisor, the AIM Nominated Adviser (the “Nomad”) is regulated by the London Stock Exchange – (“AIM Regulation”). The Company has a good working relationship with its Nomad and is advised in the first instance by its Nomad of all AIM regulatory requirements as follows: providing advice and guidance on the AIM rules, monitoring compliance with the regulations and development of AIM rules.

FIM Capital Limited, (“FIM”) the Company’s Administrator also monitors and advises the Company on its statutory obligations under the 2006 Company Act under which it is constituted.

Auditors

There is no statutory requirement under the Companies Act 2006 (of which the Company is constituted) for a company to have its accounts audited if it chooses not to do so. However, this is required by the AIM Rules and the Board believe in transparency and accountability to its shareholders. The audit function also offers the opportunity for the Directors to receive feedback. A copy of the Directors’ and Auditors’ reports accompanied by copies of the annual accounts are posted to shareholders as well as being available from the Company’s website.

The Board will continue to work closely with the Company’s stakeholders to deliver the investing policy in its current form.

The Company will take into account feedback received from stakeholders, making amendments where appropriate and where such amendments are consistent with the Company’s longer-term strategy. However, no material changes to the Company’s working processes were deemed to be required over

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the year to 31 December 2018, or more recently, as a result of any stakeholder feedback received by the Company.

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

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing existence. Note 2 and note 9 to the financial statements (on pages 14 to 19 and 23 to 26 of the 2018 Accounts respectively) include certain details of the Company's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to market risk, credit risk and liquidity risk.

The Company is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Board recognises effective systems and controls are imperative to the management of the business. The Company also carefully monitors cash flow to ensure it remains compliant with solvency requirements.

Following the completion of the disposal of the Company's sole remaining investment, the Board anticipates that certain of the Company's risks will change in line with changes in the Company's strategy and business model, and the Board will consider the risks associated with the Company seeking to execute an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined under the AIM Rules) on or before the date falling six months from completion of the Disposal or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million).*

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

The Board comprises three board members who have a diverse knowledge base including a high level knowledge of public quoted Companies and the regulatory framework. The directors are: Gerwyn Williams, Independent Non-Executive Chairman, Nigel Burton Independent Non-Executive Director and Philip Scales, Independent Non-Executive Director (Philip Scales is also Company Secretary). Gerwyn Williams and Nigel Burton joined the Board on 12 April 2019 and hold 16.7% and 13.3% respectively of ordinary shares in the Company. These holdings represent a small percentage of each of Gerwyn and Nigel's investment portfolios and the Board therefore considers that they both retain an independent judgement and can be considered as independent directors. Philip Scales has served on the Company's Board since the admission of the Company's ordinary shares to trading on AIM in 2007, although the Board considers that he retains an independent judgement and is considered to be an independent director.

Since the incorporation of the Company, at every annual general meeting one third of the Directors are subject to retirement by rotation in accordance with its Articles of Association. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof. Subject to this provision, Philip Scales has been put forward four times for re-election at an annual general meeting since 2008 and has been re-elected by shareholders on each occasion.

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As the Company is a cash shell and there being only three directors, matters normally dealt with by Committees are dealt with by the Board as a whole. The Company will monitor and review the need to form Committees to support the function of the Board pending a reverse takeover or putting the Company into liquidation following the delisting of the Company's ordinary shares, should a reverse takeover not be completed or be readmitted to trading on AIM as an investing company by the relevant date in October 2019.

The time commitment expected from the directors and the number of board meetings attended were not included in the 2018 Accounts as the Directors do not consider this information to be particularly meaningful in the context of the simplicity of the Company's operations*. However, future Report and Accounts will contain meetings attendance records and other disclosures in respect of Principle 5*.

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

The Board considers that all three directors have strong current relevant experience to successfully deliver the Company's strategy over the medium to long-term. The 2018 Accounts do not contain a summary of the relevant experience, skills and personal qualities and capabilities that each director brings to the board, however, a Statement of the Directors' Responsibilities is contained on page 5 of the 2018 Accounts and their biographies are displayed in full on the Corporate website (<https://www.taucapitalplc.com/investors/board-of-directors/>) as follows*:

Gerwyn Williams, Chairman and Independent Non-Executive Director: Gerwyn is a qualified Electrical Engineer with many years' hands on experience in the coal mining and unconventional gas industries having started work as an underground mine worker spending 22 years working for British Coal. He has founded a number of energy businesses and is currently the largest shareholder in Infinity Energy and the company's Chief Executive Officer. Gerwyn is also the Chairman of UK Onshore Gas, his family owned group of companies that hold 139,839 acres of Petroleum Exploration and Development Licences ("PEDL") in South Wales via wholly owned subsidiary companies Coastal Oil and Gas Limited, UK Methane Limited and Adamo Energy (UK) Limited. Gerwyn is also the sole Director of Transgas whose subsidiary South Western Energy Limited holds 203,590 acres of PEDLs in North Somerset and in Dorset adjacent to Wytch Farm. Transgas is wholly owned by the Williams family. Gerwyn is a Chartered Engineer, a Fellow of the Institute of Materials, Minerals and Mining, and a Fellow of the Energy Institute.

Nigel John Burton, Independent Non-Executive Director: Nigel has over 25 years' experience in operational and financial management, debt and equity financing, acquisition and integration of businesses, disposals, IPOs and trade sales. Following over 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries, Nigel spent 15 years as Chief Financial Officer of a number of private and public companies, including Navig8 Product Tankers Inc, PetroSaudi Oil Services Limited, Advanced Power AG, and Granby Oil and Gas plc. He was a Non-Executive Director of AIM quoted Management Resource Solutions plc until March 2018 and was Chief Executive Officer of Nu-Oil and Gas plc until January 2019, and is currently Non-Executive Chairman of Remote Monitored Systems plc. Nigel is a Chartered Engineer and a Fellow and Past President of the Institution of Engineering and Technology (IET).

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Philip Scales, Independent Non-Executive Director and Company Secretary: Philip Scales is Deputy Chairman of FIM Capital Limited (formerly IOMA Fund and Investment Management Limited). Prior to this, Philip was the Managing Director of Northern Trust International Fund Administration Services (Isle of Man) Limited. Philip has over 40 years' experience of working offshore, primarily in corporate and mutual fund administration. He is a director of a number of listed companies, and is a Fellow of the Institute of Chartered Secretaries and Administrators.

The upkeep of their skill sets is not specifically covered in the 2018 Accounts as the Board believes that this is excessive, taking into consideration the size of the Board and simple nature of the Company. The Directors attend conferences and receive regular industry updates to keep their knowledge and expertise current. Additionally, the Directors receive an *ad hoc* guidance on certain matters concerning the AIM Rules for Companies from the Company's Nomad as well as receiving updates on the regulatory environment from the Company Secretary. FIM also provides specialist fund administration and Company Secretarial services to the Company and are available to advise and support the Board on corporate governance and secretarial matters.

From time to time it has been necessary for the Board to seek external legal advice on matters relating to the Key Investor Information Document ("KIID"). The purpose of the KIID was to inform retail investors about the nature and risks of the products offered by outlining an investment product in a precise, factual and standardised document. Additionally, all Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Aside from Philip Scales performing the role of Company Secretary, the Board does not have any other particular internal advisory responsibilities.

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

There is no formal board or director evaluation system in place, however, the Board believes that the Directors are independent as noted in Principle 5 above. Due to the close-knit working environment and size of the Board, assessment of the Board as a unit and the individual Directors is done on an ongoing and *ad-hoc* basis to ensure that they are committed to the progress and success of the Company and that their contribution is effective (and these areas are the only criteria against which board and individual effectiveness are considered).

As noted in the disclosure in relation to Principle 5 above, the Company does not have any committees and there are therefore no procedures for the evaluation of the effectiveness of committees.

A summary of each Directors experience and skill set is outlined on the website. The Directors are also identified and their roles and responsibilities are highlighted in the Report and Accounts.

The Board intends to review undertaking performance evaluations once a reverse takeover target has been identified. The issue of succession planning will also be considered at that juncture.

Board appointments are made after consultation with advisers and with major shareholders in some cases. Detailed due diligence is carried out on all new potential board candidates.

The Board will consider using external advisers to review and evaluate the effectiveness of the Board and Directors in future to supplement its own internal evaluation processes. Additionally, the Board

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will consider the need to undertake formal and periodic succession planning. Should the Company form committees, then the Board will consider the need for procedures to evaluate of the effectiveness of committees. Should the Board wish to complete formal evaluation processes materials and guidance in respect of this process would be available from the Company's Administrator, FIM Capital Limited.*

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

The Board has a forward-looking approach to culture within the Company in order to achieve a level of discipline that aides with the management and oversight of risk of the business. The Company has a straightforward objective and simple operations, with no employees. The Board is also mindful that the tone and culture set by the Board will impact many aspects of the Company and the way that stakeholders behave and form views.*

There are several values that are important, including promoting a culture of respect and tolerance and the importance of all stakeholders' views. The Board aims to lead by example and do what is in the best interests of the Company and its stakeholders.

The Company's Administrator, FIM Capital has put policies in place that communicate disciplinary policies clearly; ensures every employee knows the consequences of unethical behaviour; ensures its employees can report misconduct anonymously and has a confidential complaint process in place.

The directors are all experienced board members with current or previous experience of listed companies and have a good understanding of best practice and effective corporate governance.

In 2016, the Company adopted a share dealing code for PDMR dealings in securities of the Company in accordance with the requirements of the Market Abuse Regulation.

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

No Committees currently exist as previously described in the disclosures in respect of Principle 5 above. The Board carefully considered the need for separate Committee functions, and deemed these to be excessive due to the size and activity of the Company, and consequently there are no Committee terms of reference in effect.

The Non-Executive Chairman is responsible for the effectiveness of the Board together with the responsibility to oversee the company's corporate governance practices. Given the size and nature of the Company, the Board does not consider it necessary for the Company to have a Chief Executive.

The services of each of the Board members as directors are provided under the terms of their letters of appointment. The responsibilities of the board members are outlined in the annual Report and Accounts and summarised as follows:

The Directors are responsible for proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man

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Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Whilst there are no formal adoption of matters reserved for the Board, the Directors review and approve the following:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

The structures and risk appetite disclosures on the website and the Report and Accounts are deemed sufficient in relation to the size and strategy of the Company.

The Board will monitor and ensure that corporate governance practices evolve in line with best practice as appropriate with the Company's growing size and needs. The Board expects that the Company's governance framework would be updated as part of a reverse takeover, in line with the nature and size of the acquired business or asset.

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

The Company intends to publish omitted disclosures required under QCA Code principles 1-9 and the reasons for their omission in its annual report and financial statements for the year ended 31 December 2019*.

Details of the directors' remuneration can be found in note 7 on page 23 of the 2018 Accounts. No Committees currently exist (as previously described in the disclosures in respect of Principle 5 and 9 above) and therefore there are no committee reports in the 2018 Accounts.* Should the Company form committees, then the Board will consider the need for the preparation of committee reports and the inclusion of these in the Company's report and accounts at that point in the future.*

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There is a good level of communication between the Directors and the Administrator, FIM Capital Limited. The information provided to shareholders regarding updates on the Company via regulatory announcements are also considered to be sufficient, taking into consideration the size and low activity level of the Company.

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting and investors can email the Directors and Company Secretary with any queries they may have. The Company maintains an enquiries email address (enquiries@fim.co.im) on its website.

All historical information is maintained on the website along with shareholder updates.

The Company's financial reports for the last five years can be found here <http://www.taucapitalplc.com/investors/financial-reports/>.

Notices of General Meetings of the Company for the last five years can be found here <http://www.taucapitalplc.com/investors/events-calendar/>.

The outcome of all resolutions tabled at general meetings, including details of voting, are to be posted on the Company's website and also announced via RNS.

If a significant proportion of independent votes were to be cast against a resolution at any general meeting, the Board's policy would be to engage with the shareholders concerned in order to understand the reasons behind the voting results.

Committees

As detailed in Principle 5 there are no Board committees and therefore no committee reports in the 2018 Accounts.

The Company will monitor and review the need to form Committees to support the function of the Board in the context of the Company identifying a reverse takeover or putting the Company into liquidation and returning cash to shareholders.

NOTE

***The Company has not included the annual report and accounts disclosures required by the 2018 QCA Corporate Governance Code in the Company's annual report and accounts for the financial year ended 31 December 2018 (the "2018 Accounts") or the website corporate governance disclosures above, as given the simplicity of the Company's status as an AIM Rule 15 cash shell and the Company's relatively low level of activity, these disclosures were not viewed by the board as being particularly meaningful .**

The Company has disposed of its sole remaining investment and is now classified as an 'AIM Rule 15 cash shell' rather than an investing company. In the context of the above matters and the recent Board changes, the Board determined that the completion of the 2018 Accounts and the progression of identifying of a reverse takeover target was a priority. The Company currently intends to include the annual report and accounts disclosures required by the 2018 QCA Corporate Governance Code in the Company's annual report and accounts for the financial year ending 31 December 2019.