

# CORPORATE GOVERNANCE

As a Canadian corporation under Alberta corporate law, with its primary listing on the Oslo Børs (“OSE”), Wentworth Resources Limited (“Wentworth” or the “Corporation”) is subject to the rules of the OSE, including its continuing obligations for listed companies. According to those rules, the Corporation is required to publish a statement on the Corporation’s principles for corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of October 30, 2014 (the “Code of Practice”). According to section 1 of the Code of Practice, the Corporation must provide a corporate governance statement in the Management Discussion & Analysis (“MD&A”) being the Director’s Report, or in a document that is referred to in the MD&A. The Code of Practice is available at [www.nues.no](http://www.nues.no).

Pursuant to the admission of the Corporation’s Common Shares for trading on AIM Market of the London Stock Exchange (“AIM”) on October 25, 2011, the Corporation is subject to the AIM Rules for Companies. The Board considers it appropriate to comply with the Corporate Governance Guidelines for Smaller Quoted Companies (the “QCA Code”) (published by the Quoted Companies Alliance, from time to time) to the extent that it is practical to do so, given the nature and current size of the Corporation. The QCA Code states that companies that wish to demonstrate good corporate governance are advised to publish an annual statement detailing their approach to corporate governance. The Corporation is not required to comply with the AIM listing rules which require companies to implement a higher level of corporate governance reporting than QCA Code. The QCA Code is available at [www.theqca.com](http://www.theqca.com).

Canadian Securities Administrators National Policy 58-201 - *Corporate Governance Guidelines* provides guidance on corporate governance practices for Canadian legal entities. These guidelines, while not mandatory, deal with the constitution of Board of Directors and board committees, their functions, their independence from management and other means of addressing corporate governance practices. National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“NI 58-101”) mandates that a reporting issuer must disclose, on an annual basis, its approach to corporate governance with reference to the form prescribed by NI 58-101. Although the Corporation is not a reporting issuer in Canada, except as set out herein, the Corporation complies with the Canadian guidance and the Corporation’s corporate governance practices, in Form 58-101F1, is attached as Schedule “B” to the Information Circular dated May 4, 2016, which was prepared in connection with the 2016 Annual Meeting of the Shareholders and is available on the Corporation’s website. National Policy 58-201 is available at [www.albertasecurities.com](http://www.albertasecurities.com).

This report will explain the Corporation’s compliance with the Code of Practice, including any deviations hereto. The numbering below corresponds with the relevant sections in the Code of Practice.

## **1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE**

Wentworth has adopted the Norwegian Code of Practice for Corporate Governance dated 30 October 2014 (the “Code of Practice”).

Wentworth shall be characterized by high ethical standards and sound corporate governance. The Corporation has adopted a Code of Ethics and Business Conduct which is designed to provide guidance on the conduct of the Corporation’s business in accordance with all applicable laws, rules and regulations and with the highest ethical standards and integrity.

The Code of Ethics and Business Conduct applies to all directors, officers, employees and consultants (“Personnel”) of the Corporation and its subsidiaries. Personnel are each responsible for being aware of, understanding and complying with the Code of Ethics and Business Conduct when making business decisions. Personnel must promptly report any problems or concerns and

any actual or potential violation of the Code of Ethics and Business Conduct. To do otherwise, will be viewed as condoning a violation.

Failure to comply with the Code of Ethics and Business Conduct will be considered by the Corporation to be a very serious matter. Depending on the nature and severity of the violation, disciplinary action will be taken by the Corporation, up to and including termination.

Wentworth's Code of Ethics and Business Conduct is available on the Corporation's website at [www.wentworthresources.com](http://www.wentworthresources.com).

## **2. BUSINESS**

Please refer to the Management Discussion and Analysis for the year ended December 31, 2016 for a description of the Corporation's objectives and principal strategies.

*Deviations from the Code of Practice:* As is customary for companies registered under Alberta corporate laws, the Corporation's business is not defined in its Articles of Incorporation or By-Laws, which is a deviation from the Code of Practice, other than a statement in its Articles of Incorporation that the Corporation's business is not restricted.

Wentworth's Articles of Incorporation and By-laws are available on the Corporation's website.

## **3. EQUITY AND DIVIDENDS**

Please refer to the 2016 audited financial statements for a description of the Corporation's equity. The Board considers the Corporation's equity level as satisfactory given the Corporation's expressed goals, strategy and risk profile.

*Deviations from the Code of Practice:* As the Corporation is in the early stage of its commercial operations, it does not have a formal dividend policy. No dividends have ever been declared or paid by the Corporation. There are no restrictions on dividend distributions, other than those described under the *Business Corporations Act (Alberta)*

There are no outstanding authorizations from the general meeting to the Board to increase the Corporation's share capital or purchase its own shares. However, as is customary for Alberta companies, the authorized capital of the Corporation consists of an unlimited number of common shares and the Board may issue common shares without shareholder approval.

## **4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES**

The Corporation conducts itself having regard to the principle of equal treatment of all shareholders. The Corporation has only one class of issued shares, being common shares, and each share entitles the holder to one vote at the Annual Meeting. The Corporation's Articles of Incorporation and By-Laws contain no restrictions regarding the right to vote.

*Deviations from the Code of Practice:* As is customary for Alberta companies, the Corporation's shares do not give the shareholders any pre-emptive rights in the event of share issues. The Board reviews all share issues on a case by case basis having regard to equitable treatment of all shareholders.

The Board's Terms of Reference and the Corporation's Code of Ethics and Business Conduct establish procedures regarding the disclosure by Directors and executive personnel of interests in

material transactions, and abstention from voting by that Director. The Board's Terms of Reference set out the role and responsibility of the Board of Directors. The Board's Terms of Reference is available on the Corporation's website.

The Board has established procedures with respect to the approval of material transactions with related parties including shareholders, directors, executive personnel and close associates of any such party. For more information about related party transactions, please refer to the notes to the consolidated financial statements for 2016.

## **5. FREELY NEGOTIABLE SHARES**

The Corporation's shares are listed on the OSE and AIM and are freely negotiable.

## **6. GENERAL MEETINGS**

Under Alberta corporate laws, a corporation's Annual Meeting must be held not later than 15 months after holding the last preceding Annual Meeting. During 2016, the Corporation's Annual Meeting was held in June at which the calendar year 2015 audited consolidated financial statements were tabled.

The Corporation encourages as many shareholders as possible to exercise their rights by participating in the general meetings of the Corporation. The Corporation has elected to use a notice-and-access model to send proxy-related materials to Shareholders prior to the Annual Meeting. Notice-and-Access was developed by the Canadian Securities Administrators to reduce the volume of materials that must be physically mailed to shareholders allowing a reporting issuer to post certain materials electronically. Under this system, shareholders will be sent at least 30 days before the meeting notification of the of the Annual Meeting and the proxy or voting instruction form enabling them to vote at the Annual Meeting. However, instead of a paper copy of the information circular or annual report, the notice will provide details on how shareholders may access such materials electronically. Under the Notice-and-Access system, the Corporation will post the meeting materials on its website concurrently with the sending of the notice of meeting to shareholders. The Board of Directors will ensure that the resolutions and supporting information is sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered in the meeting. Shareholders do not have to give notice of their intention to attend the Annual Meeting. The Corporation strives to have members of the Board and the Nomination Committee and the auditors present at the Annual Meeting.

Shareholders who are unable to attend can vote by proxy. The Corporation will provide information on the procedure for representation through a proxy and will, to the extent possible, prepare a form for the appointment of a proxy which allows separate voting instructions to be given for each matter to be considered by the meeting and for the candidates nominated for election.

*Deviations from the Code of Practice:* In accordance with Wentworth's By-laws, the Executive Chairman of the Board of Directors chairs the Annual Meeting and does not make arrangements for an independent chairman. The reason for this deviation is that the Corporation has found this more practical and that Wentworth wishes to ensure that Annual Meeting is chaired by a competent person having proper insight in Wentworth's overall operations.

## **7. NOMINATION COMMITTEE**

The Corporation's Governance & Nomination Committee consists of three members, including the Executive Chairman of the Board, who is also a Director, and two independent Directors.

The Committee establishes criteria for the Board and committee membership and makes recommendations with respect to the composition of the Board and its committees. The Corporation's Governance & Nomination Committee should have contact with shareholders, the Board and the Corporation's executive personnel as part of its work on proposing candidates for election to the Board. Shareholders who wish to propose new board members may do so by following the procedures that are documented on the Corporation's website at [www.wentworthresources.com](http://www.wentworthresources.com). The Governance & Nomination Committee justifies its recommendations. The Governance & Nomination Committee Charter is available on the Corporation's website at [www.wentworthresources.com](http://www.wentworthresources.com).

*Deviations from the Code of Practice:* The Corporation's Governance & Nomination Committee is organized as a Board committee appointed by the Board and it is not an independent committee elected by the shareholders. The composition of the Governance & Nomination Committee also differs from Canadian guidelines on corporate governance, which recommend that the nomination committee be composed entirely of independent directors. The provisions in the Corporation's By-Laws addressing the establishment of Committees provide that the Board of Directors can create Committees including a Governance & Nomination Committee. While not compliant with the Code of Practice and the Canadian guidelines, the Board is of the view that it is in the best interests of the Corporation and its shareholders that the members of the Governance & Nomination Committee be composed exclusively of members of the Board, one of which is the Executive Chairman, because of their expertise and familiarity with the affairs of the Corporation.

## **8. BOARD OF DIRECTORS; COMPOSITION AND INDEPENDENCE**

According to Wentworth's Articles of Incorporation, the Board of Directors shall have from two to ten directors. The Board is currently composed of four directors who are elected for one year terms, or until their successors are duly elected or appointed. The four current directors were elected at the Annual Meeting held on June 22, 2016. According to the Corporation's By-Laws, the Board may between Annual Meetings, appoint one or more additional directors to serve until the next Annual Meetings, provided that after such appointment the total number of directors would not be greater than one-third times the number of directors elected at the last Annual Meeting nor greater than the maximum number of ten. A brief presentation of each of the Directors can be found on the Corporation's website. The composition of the Board as a whole represents sufficient diversity of background and expertise to help ensure that the Board carries out its work in a satisfactory manner. The Board members have wide experience from both the oil and gas industry as well as broad financial experience. The Corporation is of the opinion that the composition of its Board of Directors enables the Board to meet the Corporation's need for expertise, capacity and diversity. It can also function effectively as a collegiate body.

Information on Directors participation in board meetings and any matters which may have an impact on their competence or independence is disclosed in the Corporation's management information circular for the Annual Meeting.

The composition of the Board is in compliance with the independence requirement as majority of the Directors elected by the shareholders are independent of the executive management, of material business contacts and of the Corporation's larger shareholders. Members of the Board are encouraged to own shares in the Corporation. Currently, all Board members, directly or indirectly own Wentworth shares.

*Deviations from the Code of Practice:* One of the Directors is also member of the Corporation's executive management, being Mr. Robert P. McBean, Executive Chairman. The Executive

Chairman is appointed by the Board and is not elected at the Annual Meeting. It is customary for Alberta companies to have members of executive management on their boards and to have them appointed by the Board.

## **9. THE WORK OF THE BOARD OF DIRECTORS**

The Board has approved Terms of Reference and a Mandate for the Board, both of which include provisions for the annual preparation of a strategic plan for the Corporation. The Board has also approved standing agendas that outline a number of topics that are to be on the agendas for regular meetings. Both documents address significant matters where the Executive Chairman is involved, and the procedure for a different Director to lead the discussions. The Terms of Reference and Mandate is available on the Corporation's website at [www.wentworthresources.com](http://www.wentworthresources.com).

The Board is responsible for the stewardship of the Corporation and is responsible for the governance and management of the Corporation's affairs.

The Board has established four board committees, including an Audit Committee, Compensation Committee, Governance & Nomination Committee and Reserves Committee. The Audit Committee is made up entirely of members who are independent of the Corporation's executive management. A primary role of each committee is to review certain specific matters in detail, and then to make recommendations to the Board. The final decisions are made by the Board. The Board has set out the roles and responsibilities for each committee of the Board.

The Board evaluates its performance and effectiveness annually.

## **10. RISK MANAGEMENT AND INTERNAL CONTROL**

The Corporation is of the opinion that it has sound internal controls and systems for risk management that are appropriate in relation to the extent and the nature of the Corporation's activities. The Board is responsible for ensuring that the Corporation has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Corporation's activities. The overall purpose of the Audit Committee is to review and report on the integrity of the consolidated financial statements of the Corporation and to monitor the Corporation's internal control arrangements and its risk evaluation systems. The Board regularly reviews the Corporation's most important areas of exposure to risk and initiatives to manage those risks, and its internal control arrangements.

Contained in the MD&A and 2016 consolidated financial statements, the Board provides an account of the main features of the Corporation's internal control and risk management systems as they relate to the Corporation's financial reporting.

The Corporation has also established a Reporting of Violations Policy that covers all instances of misconduct including illegal or unethical behavior, fraudulent activities and violation of the Corporation's policies with respect to the Code of Ethics and Business Conduct and accounting, internal accounting controls, or auditing matters. The Corporation has engaged a third party provider, Grant Thornton LLP, to oversee and manage the process of receiving, analyzing, monitoring, compiling information and reporting to management and the Audit Committee all complaints received by the Corporation in respect to this policy. The Reporting of Violations Policy is available on the Corporation's website at [www.wentworthresources.com](http://www.wentworthresources.com).

## **11. REMUNERATION OF THE BOARD OF DIRECTORS**

The remuneration of the Directors reflects the Board's responsibility, expertise, time commitment and the complexity of the Corporation's activities. None of the Directors have a pension scheme, or agreements regarding pay after termination of their duties in the Corporation.

Information on all remuneration paid to each of the Directors will be disclosed in the Corporation's management information circular for the Annual Meeting. This information includes board fees, salaries paid by the Corporation and stock options granted in 2016. In 2016, the chairs and members of each committee did not receive any additional compensation.

Save for the members of the Board of Directors who are also part of the Corporation's executive management, directors (and/or companies with which they are associated) do not take specific assignments for the Corporation in addition to their appointment as Director of the Board. In the event that such assignments are taken on either by members of the Board of Directors who are also part of the Corporation's executive management, or others members, this is disclosed to the Board in full and the remuneration for such additional duties is approved by the Board.

*Deviations from the Code of Practice:* As is customary for Alberta companies, the remuneration of the Board is reviewed and assessed by the Compensation Committee and set by the Board, not by shareholders at the Annual Meeting. The Directors of the Board have been and may in the future be granted stock options in the Corporation. It is customary for Alberta companies to provide stock options to Directors.

## **12. REMUNERATION OF THE EXECUTIVE MANAGEMENT**

The Compensation Committee recommends approval to the full Board of the compensation of the senior executive management, and grants of stock options to individuals.

The Compensation Committee has prepared guidelines for the remuneration of senior executive management, which set out the main principles applied in determining the salary and other remuneration of senior executive management. Information on the guidelines for the remuneration of the members of the senior executive management and information on all elements of the remuneration of the executive chairman and each member of the senior executive management team are disclosed in the management proxy circular prepared for the Annual Meeting. The management proxy circular is a separate appendix to the agenda of the general meeting. It is also clear in the circular which aspects of the guidelines are advisory and which, if any, are binding. The general meeting votes separately on each of these aspects of the guidelines.

The Corporation's Stock Option Plan was approved by the Board in 2005, and an amendment of that Plan was approved in 2008. A second amendment was approved in 2011. The granting of options to the senior executive management is tied to the Corporation's performance and is granted at the discretion of the Board. The purpose of the Plan is to incentivize the senior executive management to contribute to the future success and prosperity of the Corporation over time, thus enhancing the value of the Common Shares for the benefit of all shareholders. The relevant details of the Plan are disclosed in the management information circular prepared for the Annual Meeting.

### **13. INFORMATION AND COMMUNICATIONS**

The Board of Directors has established guidelines for the Corporation's reporting of financial and other information in the Audit Committee Charter and the Disclosure Policy for fulfilling its oversight responsibility to the shareholders.

All material information about the Corporation is published on a continuous basis and based on openness and equal treatment of shareholders. Announcements are released through Nasdaq Corporate Solutions International Limited reporting channel and in addition to the Corporation's website, they are also posted on the OSE and AIM websites. The Corporation's website also offers subscription to the Corporation's press release service.

On its website, the Corporation publishes a Financial Calendar which is an overview of the dates for publication of its interim and annual reports and the Annual Meeting.

### **14. TAKE-OVERS**

The Board concurs with the principles for equal treatment of all shareholders, and will strive to ensure that complete information is provided in all situations affecting the shareholders' interests. The Corporation will follow the law in respect of take-overs and the Board will aim to act in accordance with the relevant principles of the Code of Practice. In the event of a bid situation, the Board will not seek to hinder or obstruct take-over bids for the Corporation's activities or shares unless there are particular reasons to do so. In these situations, the Board will not pass any resolutions with the intention of obstructing the take-over bid.

The Board is responsible for ensuring that the shareholders have sufficient information to consider a bid and where appropriate will obtain a valuation by an independent expert. The Board will evaluate the bid, and will make a statement that includes an evaluation of the bid and a recommendation as to whether an offer should be accepted by the shareholders.

The Board will convene the general meeting in the event a transaction is in effect a disposal of the Corporation's activities.

### **15. AUDITOR**

The Corporation's external auditor, currently KPMG LLP for calendar year 2016, was appointed by resolution of the shareholders at the Annual Meeting held on June 22, 2016. The Corporation's auditor participates in meetings of the Audit Committee that deal with the financial accounts, and upon special request, the auditor presents to the Audit Committee a plan for the audit activities of the Corporation for their approval. KPMG LLP obtains an understanding of internal controls relevant to the annual consolidated financial statement audit and reports weaknesses and proposals for improvement to the Audit Committee.

The Board's Audit Committee handles all reports from the external auditor before they are discussed by the Board. The Audit Committee has opportunities for at every meeting with the external auditor, and for in camera sessions during those meetings at which the members of the executive management are not present.

All non-audit work is required to be submitted to the Audit Committee for its approval prior to the commencement of work.

The remuneration paid to the auditor, including details of any fees paid for other specific assignments, is reported at the Corporation's annual information circular.

*Deviations from the Code of Practice:* The Board currently does not hold an annual meeting with the external auditor at which members of the executive management are not present although the Board has the ability to request an in-camera meeting with the external auditors at any time.