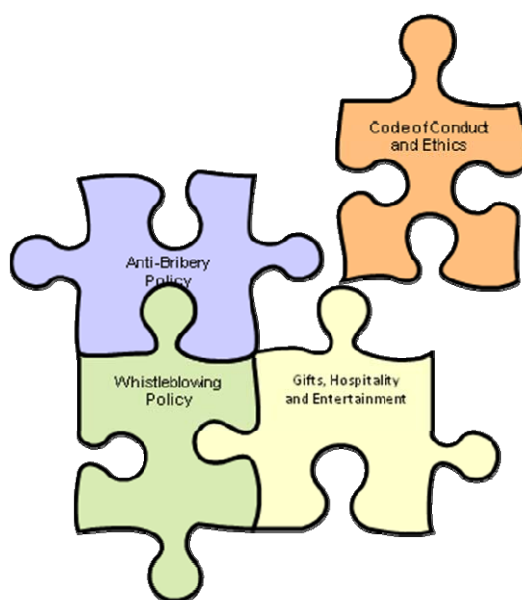


	Policy/Procedure	Reference	
		Version No.	
		Date	January 2014
		Page	0 of 8

WORKING WITH INTEGRITY

Briefing Note on the Anti-Corruption and Bribery Programme



Status	Owner	Checked	Approved

CADOGAN PETROLEUM PLC

ANTI-BRIBERY PROGRAMME

INTRODUCTION

Most countries have laws that prohibit bribery and corruption. A breach of these laws is a serious offence and can result in fines for companies and imprisonment for individuals. Cadogan Petroleum plc ("**Cadogan**" or the "**Company**") is fully committed to complying with the anti-bribery legislation of the countries in which it operates. This includes the UK Bribery Act 2010. Further information on the UK Bribery Act 2010 is given below together with information on the Company's Anti-Bribery Programme which aims to prevent bribery in all its forms.

THE UK BRIBERY ACT 2010

On 1st July 2011, the UK Bribery Act 2010 (the "**Bribery Act**") came into force and has consequences for the way Cadogan conducts its business inside and outside of the UK. The Bribery Act sets out four offences:

- 1) Active bribery;
- 2) Passive bribery (requesting, agreeing to or receiving/accepting a bribe);
- 3) Bribing a foreign public official; and
- 4) Corporate offence of failing to prevent bribery.

It applies to all companies with a presence in the UK (such as Cadogan Petroleum plc), and is not restricted to dealings with government officials. Unlike the US Foreign Corrupt Practices Act, it prohibits 'facilitation payments'

Bribery and corruption are punishable for individuals who have a close connection with the UK by up to ten years' imprisonment. If Cadogan is found to have taken part in corruption the Company could face an unlimited fine and be excluded from tendering for public contracts. The Company therefore takes its legal responsibilities very seriously.

Companies will need to show that 'adequate procedures' designed to prevent bribery are in place. Guidance from the UK Government on what are 'adequate procedures' includes six principles to help companies decide on the bribery prevention procedures that need to be put in place.

Based on the guidance published by the Ministry of Justice in UK, the Anti-Bribery Programme adopted by the Company incorporates the following six principles:

1. Proportionality;
2. Top level commitment;
3. Risk assessment;
4. Due diligence;
5. Communication (and training);
6. Monitoring and review.

BOARD COMMITMENT TO ANTI BRIBERY PROCEDURES

The Board has adopted an anti-bribery and corruption policy (the “**Policy**”) (see Appendix 1) and procedures to detect and prevent bribery and corruption (together the “**Anti-Bribery Programme**” or “**Programme**”).

The purpose of the Anti-Bribery Programme is to:

- Set out responsibilities and obligations in observing and upholding our position on bribery and corruption; and
- Provide information, guidance and procedures to staff and contractors (where appropriate) on how to recognise and deal with bribery and corruption issues and risks.

RISK ASSESSMENT

The risk of bribery and corruption will be assessed in the following way:

- Initial risk assessment

This has been done and the results were used to develop this Programme and will be used to develop training;

- Regular review

We will undertake regular review to determine whether our initial risk assessment results are still accurate and if not, we will update and amend the Programme and other relevant policies and procedures accordingly;

- Transaction/project based

Risk assessment will be an integral part of each transaction and project. The level and depth will depend on the nature and complexity of the transaction/project in question.

As part of our risk assessment, we will undertake regular due diligence of third parties who have a business relationship with us. The level and depth of due diligence will depend on the nature of the business and the relationship.

Risk assessment will be undertaken in various ways, including (but not limited to) by referring to external resources such as reports produced by international organisations, by using questionnaires, conducting interviews, reviewing contractual documents, undertaking background checks. We will use method(s) which we believe to be most appropriate and proportionate depending on the circumstances of each matter/transaction in question.

Following, the Company's initial risk assessment, the Company has identified particular factors relating to its business, including (but not limited to):

- External factors
 - (a) High level of corruption in Ukraine as provided by Transparency International's 2010 Corruption Perceptions Index and other international organisations;

- (b) Participation in an industry highlighted by Transparency International as one of those most prone to corruption; and
 - (c) Company's business depends on various permits and authorisations which must be obtained from Ukrainian government authorities;
- Forms of bribery
 - (d) The possibility of "kickback payments" being offered by suppliers to, and accepted by Cadogan staff, in exchange for the award by the Company of contracts for goods or services;
 - (e) The likelihood of mid-level government officials in Ukraine requesting facilitation payments in exchange for expediting certain matters; and
 - (f) Senior government officials requesting bribes in relation to the award of oil/gas licenses or other contracts and arrangements that are key to growing the business in Ukraine.

To address the risks identified above, Cadogan will:

- Develop an Anti-Bribery Programme;
- Update procurement and contract management procedures (segregation of duties);
- Update internal policies and procedures;
- Amend current employment contracts as appropriate or adopt alternative measures to ensure employees comply with the Anti-Bribery Programme;
- Work with suppliers and consultants to ensure that they comply and respect the principles of the Anti-Bribery Programme relevant to their activities; and
- Communicate the Anti-Bribery Programme to Cadogan staff and develop appropriate training for all employees and consultants.
- The Company Secretary working with the Chief Executive and other senior managers is responsible for the Company's bribery prevention procedures.

TRAINING AND COMMUNICATION

The Anti-Bribery Programme applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (together the "**Workers**").

We will communicate our Policy to all third parties and will require them to comply with and respect the principles of the Programme relevant to their activities during our business relationship.

Training on this Programme will be given to all our employees and consultants relevant and appropriate to their duties and level of responsibilities. We may also provide training to other Workers if we decide that this is necessary and feasible.

Appendix 1 sets out the Company's Anti-Bribery Compliance Policy Statement and Appendix 2 sets out the Company's Anti-Bribery Policy which will be communicated to all Workers.

WHO IS RESPONSIBLE FOR THE PROGRAMME?

The Audit Committee has overall responsibility for ensuring this Programme complies with our legal and ethical obligations, and that all those under our control comply with it. The Audit Committee reports directly to the Board of Directors. The Board of Directors has formally approved this Programme.

The Company Secretary has primary and day-to-day responsibility for implementing this Programme, and for monitoring their use and effectiveness, dealing with any queries on their interpretation and dealing with any breaches (reported or otherwise). Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this Programme and are given adequate and regular training on them.

MONITORING AND REVIEW

The Audit Committee will monitor the effectiveness and review the implementation of this Programme, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

All Workers are responsible for the success of this Programme and should ensure they use it to disclose any suspected danger or wrongdoing.

Workers are invited to comment on this Programme and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Company Secretary.

APPENDIX 1

CADOGAN PETROLEUM PLC

ANTI-BRIBERY COMPLIANCE POLICY STATEMENT

The Board of Cadogan Petroleum plc is committed to upholding the highest standards of business conduct throughout its operations. It sees this as key in helping to achieve its strategic aim of building a successful oil and gas business.

In order to do this all those who work for Cadogan have a responsibility to protect and continuously improve the Company's reputation. This will be achieved by:

- Carrying out business in a professional manner to the highest standards of honesty and integrity;
- Complying with applicable laws and regulations in the countries in which the Company operates;
- Following the Company's policies and procedures;
- Ensuing suppliers, contractors and third parties also adopt high ethical standards.

As part of its commitment the Board has approved the following policies under the headline "Working With Integrity":

- Code of Conduct and Ethics
- Anti-Bribery Programme
- Gifts, Hospitality and Entertainment Policy
- Whistleblowing Policy
- Charity, Sponsorship and Social Responsibility Policy

All of these policies are available on the Company's website, www.cadoganpetroleum.com. The Company is committed to acting professionally, fairly and with integrity in all of its dealings and relationships wherever it operates. The Company is committed to implementing and enforcing effective systems to counter bribery.

CADOGAN PETROLEUM PLC

ANTI-BRIBERY AND CORRUPTION POLICY

ABOUT THIS POLICY

Most countries have laws that prohibit bribery and corruption. A breach of these laws is a serious offence which can result in fines for companies and imprisonment for individuals. This policy sets out what we must do to prevent bribery in all its forms. Cadogan Petroleum plc (“**Cadogan**” or the “**Company**”) is fully committed to complying with the anti-bribery legislation of the countries in which it operates including the UK Bribery Act 2010.

WHO IS COVERED?

This policy applies to all persons performing services for or on behalf of Cadogan or its subsidiaries, wherever located including directors, employees, agents, associates, consultants, contractors and suppliers.

WHAT IS BRIBERY?

A bribe is a reward offered or an inducement, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage. A bribe does not necessarily have to be of a large value. [‘corruption’ and ‘concession’ are not defined terms in the UK Bribery Act.

Examples

Offering a bribe

You offer a potential client tickets to a major sporting event, but only if they agree to do business with us.

This would be an offence as you are making the offer to gain a commercial and contractual advantage. It may also be an offence for the potential client to accept your offer.

Receiving a bribe

A supplier gives your nephew a job, but makes it clear that in return they expect you to use your influence in our organisation to ensure we continue to do business with them.

It is against this Policy for you to accept the offer as you would be doing so to gain a personal advantage.

WHAT IS NOT ACCEPTABLE

It is not acceptable for you (or someone on your behalf) to:

- Give, promise to give, or offer, a payment, gift, hospitality, or any other benefit with the hope that a business advantage will be received, or to reward a business advantage already given.

- Give, promise to give, or offer, a payment, gift, hospitality, or any other benefit to a government official, agent or representative to facilitate or expedite a routine procedure.
- Accept payment or any other benefit from a third party that you know or suspect is offered with the hope that it will obtain a business advantage for them.
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with the hope that a business advantage will be provided by us in return.
- Threaten or retaliate against another employee who has refused to commit a bribery offence or who has raised concerns under this Policy.
- Fail to report any indication of improper payments.

FACILITATION PAYMENTS

Facilitation payments are typically small, unofficial payments made to secure or speed up the performance of a routine or necessary government action or a level of service

Under this Policy you must never offer, pay, solicit or accept bribes in any form, including facilitation payments or kickbacks.

If you are asked to make a payment on our behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided. You should always ask for a receipt which details the reasons for the payment. If you have any suspicions or queries regarding a payment you should raise these as soon as you can with the Company by following the reporting procedures below.

DONATIONS

We do not make political contributions in any form whether to political parties, causes or to support individual candidates.

We only make charitable donations that are legal and ethical under local laws and practices. No charitable donation must be offered or made without the prior approval as detailed in the *Sponsorship, charity and social responsibility policy*.

GIFTS, ENTERTAINMENT AND HOSPITALITY

We appreciate that the practice of giving business hospitality, gifts or entertainment varies between countries and regions and what may be normal and acceptable in one region may not be in another. However, the test to be applied is whether the hospitality, gift or entertainment is reasonable and justifiable. Gifts or hospitality should not be accepted or made if it would compromise, or appear to compromise, an individual's judgment or conduct in business decisions. Further guidance is given in the Company's *Gifts, Hospitality and Entertainment Policy*.

YOUR RESPONSIBILITIES

You must ensure that you read, understand and comply with this Policy.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our control. You are required to avoid any activity that might lead to a breach of this Policy.

You must notify the Company by following the procedures below as soon as possible if you believe or suspect that a conflict with this Policy has occurred or may occur.

SUPPLIERS AND PARTNERS

This Policy forbids making of payments through third parties. Employees must therefore be diligent in selecting and monitoring contractors, agents and partners. Where it is believed there is a significant bribery risk the Company Secretary will advise on any due diligence required and any anti-bribery clauses required in relation to an agreement or contract.

RECORD KEEPING

We must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third payments.

If allowed under the Company's *Gifts and Hospitality Policy* you must declare and keep a written record of all hospitality, gifts or entertainment in line with that policy.

All accounts, invoices and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and kept with accuracy and completeness. No accounts must be kept 'off-book' to facilitate or conceal improper payments.

QUESTIONS AND QUERIES

If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other general queries relating to this Policy, these should be raised with your manager or the Company Secretary.

REPORTING BRIBERY

It is important that you report to us as soon as possible if you are offered a bribe, are asked to make one, suspect that this may happen in the future, or believe that you are a victim of another form of unlawful activity. We expect all our employees to report to us by following our *Whistleblowing Policy*.

The Company will circulate the *Whistleblowing Policy* from time to time. A copy of the *Whistleblowing Policy* is available on the Company's website (www.cadoganpetroleum.com).

Those who refuse to accept a bribe or offer a bribe, or who raise concerns or report another person's wrongdoings are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith even if they turn out to be mistaken.