

Carnarvon Petroleum Limited

Statement of Board and Management Functions

Role of the Board

The role of the Board is to provide leadership for and supervision over the Company's affairs.

Responsibility for management of the Company's business activities is delegated to the Chief Executive Officer, who is accountable to the Board.

Responsibilities of the Board

The Board is collectively responsible for promoting the success of the Company by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to (b) to (k);
- (b) ensuring the Company is properly managed for example by:
 - (i) appointing and removing the Chief Executive Officer of the Company;
 - (ii) ratifying the appointment and, where appropriate, the removal of the chief financial officer and the Company secretary;
 - (iii) input into and final approval of management's development of corporate strategy and performance objectives;
 - (iv) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
 - (v) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (d) approval of the annual budget;
- (e) monitoring the financial performance of the Company;

- (f) approving and monitoring financial and other reporting;
- (g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (h) liaising with the Company's external auditors and Audit Committee; and
- (i) monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety
- (j) reviewing the competitiveness of the Company's executive compensation programs to attract and retain corporate officers and motivate them to achieve business objectives, reviewing the performance of executive management, and approving the use of the company's securities as part of compensation. The size of the Company and the board do not warrant the formation of a separate Remuneration Committee.
- (k) deciding on the choice of any new director(s) upon the creation of any new board position and / or if any casual vacancy arises. The size of the Company and the board do not warrant the formation of a separate Nomination Committee.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Board Membership

Members of the Board are appointed under the terms of the Company's Constitution. Although the election of Board members is substantially the province of the shareholders in general meeting, the Company commits to the following principles.

- (l) the Board comprise Directors with a blend of skills, experience and attributes appropriate to the Group and its businesses
- (m) the principal criterion for the appointment of new Directors is their ability to add value to the Group and its businesses

The Chairman

The Chairman is responsible for leadership of the Board, facilitating proper information flow to the Board, facilitating the effective functioning of the Board, and for communicating the views of the Board, in conjunction with the CEO, to the Groups stakeholders and to the public.

Independent Directors

An independent Board member operates independently of executive management and free of any business or other relationship (personal, business or otherwise) that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The assessment of whether a Board member is independent is a matter of judgement for the Board as a whole and includes concepts of materiality. In making that judgement the Board may have regard to, but need not be bound by, the ASX Corporate Governance Principles as to director "independence". All Board members are required to disclose to the Board any interest, relationship or information which may be relevant to that assessment.

The Chief Executive Officer

The Chief Executive Officer is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. The Chief Executive Officer is also responsible for shareholder communication. In carrying out his/her responsibilities the Chief Executive Officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Role and Responsibility of Management

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

