

**CARPENTARIA EXPLORATION  
("Company")**

**CORPORATE GOVERNANCE STATEMENT**

This Corporate Governance Statement sets out the Company's current compliance with the ASX Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("Best Practice Recommendations"). The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company ("Board") currently has in place a corporate governance policy which is posted in a dedicated corporate governance information section of the Company's website at [www.carpentariaex.com.au](http://www.carpentariaex.com.au).

	<b>BEST PRACTICE RECOMMENDATION</b>	<b>COMMENT</b>
<b>1</b>	<i>Lay solid foundations for management and oversight</i>	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management	The Company's proposed Corporate Governance Statement includes a Board Charter, which clearly establishes the relationship between the Board and management and describes their function and responsibilities. The Board Charter discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Chairman.
<b>2</b>	<i>Structure the board to add value</i>	
2.1	A majority of the board should be independent directors.	The Company does not have a majority of the Board being independent directors (which is not in accordance with the best practice recommendations). The directors consider that the current structure and composition of the Board is appropriate to the size and nature of the Company.

2.2	The chairperson should be an independent director.	it is acknowledged that the ASX recommends that the Chairman should be an independent director (as defined by ASX). It is the Board's view, however, that the current Executive Chairman (Mr Nick Sheard) is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the Role of a Chairman even though he is not an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Company does not currently have a Chief Executive Officer. It has an Executive Chairman, Mr Nick Sheard. It is acknowledged that the ASX recommends that the Chairman and the CEO should be different people. It is the Board's view, however, that the current Executive Chairman (Mr Nick Sheard) remains the most appropriate person to fulfil these roles in the best interest of the Company and its shareholders.
2.4	The board should establish a nomination committee.	Given the current size of the Board, the Board, as a whole and in accordance with the Board Charter serves as a nomination committee.
2.5	Provide the information indicated in <i>Guide to Reporting on Principle 2</i> .	The Company will provide details of each director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its future annual reports.
<b>3</b>	<b>Promote ethical and responsible decision-making</b>	The Corporate Governance Statement is posted on the Company's website.
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; and (b) the responsibility and accountability of individuals for reporting and investing reports of unethical practices.	The Company's Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment is posted on the Company's website.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	The Company's current Trading Policy guidelines for buying and selling securities in the Company is disclosed on the Company's website.

3.3	Provide the information indicated in <i>Guide to Reporting on Principle 3</i> .	The Company will explain any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 in its future annual reports. The Corporate Governance Statement and Policies are posted on the Company's website.
4	<b>Safeguard integrity in financial reporting</b>	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	The Board currently receives financial information from the Chairman and Managing Director and personnel responsible for the preparation of financial reports and as such is satisfied that the Company's accounts will reflect the matters required by best practice recommendation 4.1.
4.2	The board should establish an audit committee.	The Company does not have an audit committee. The Board considers that the Company is not at a size nor are its affairs of such complexity to justify the formation of an audit committee. The Board undertakes the selection and property application of accounting policies, the identification and management or risk and review of the operation of internal control systems. See comment 4.2.
4.3	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	
4.4	The audit committee should have a formal charter.	See comment 4.2.
4.5	Provide the information indicated in <i>Guide to Reporting on Principle 4</i> .	See comment 4.2.

<b>5</b>	<b><i>Make timely and balanced disclosure</i></b>	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position.
5.2	Provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The Company will provide an explanation of any departures from best practice recommendations 5.1 and 5.2 (if any) in its future annual reports. The Company's Continuous Disclosure Policy is posted on the Company's website.
<b>6</b>	<b><i>Respect the rights of shareholders</i></b>	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company's Communications and Shareholders Policy which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs is posted on the Company's website.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	The Board will request the external auditor to attend all future annual general meetings of the Company to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.
<b>7</b>	<b><i>Recognise and manage risk</i></b>	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and inter control.

7.2	<p>The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:</p> <p>(a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and</p> <p>(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>	<p>The Board currently receives financial information from the Chairman and Managing Director and personnel responsible for the preparation of financial reports and as such is satisfied that the Company's accounts will reflect the matters required by best practice recommendation 4.1.</p>
7.3	<p>Provide the information indicated in <i>Guide to Reporting on Principle 7</i>.</p>	<p>The Company will provide an explanation of any departures from best practice recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports.</p> <p>The Company's Risk Management Policy is posted on the Company's website.</p>
8	<p><b>Encourage enhanced performance</b></p>	
8.1	<p>Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.</p>	<p>The Board has developed a Board Charter and Code of Conduct for performance evaluation of the Board and the committees.</p>
9	<p><b>Remunerate fairly and responsibly</b></p>	
9.1	<p>Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.</p>	<p>The Company has developed a Remuneration Policy which deals with these matters which is available on the Company's website.</p>
9.2	<p>The board should establish a remuneration committee.</p>	<p>The Company has established a separate remuneration committee and Remuneration Policy which is available on the Company's website.</p>

9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives	<p>Non-executive directors are paid a set fee of \$30,000 per annum. The Chairman is paid a fee of \$50,000 per annum. A director is not entitled to receive directors fees if he or she is employed by the Company in a full time executive capacity.</p> <p>Non-executive directors do not receive performance based bonuses and do not participate in equity schemes of the Company nor are they entitled to retirement allowances.</p> <p>The Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregated remuneration has been set at an amount of \$220,000 per annum.</p> <p>The Board is responsible for determining the remuneration of the Managing Director and senior executives.</p>
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	<p>The Company has an employee share option plan and is to seek shareholder approval prior to the issue of any equity based executive director remuneration.</p>
9.5	Provide the information indicated in Guide to Reporting on Principle 9.	<p>The Board will consider what information to include in the corporate governance section of the Company's annual report in respect of remuneration policies at the relevant time.</p> <p>The Company does not currently have in existence any schemes for retirement benefits.</p> <p>The Company will explain any departures from best practice recommendations 9.1, 9.2, 9.3 and 9.4 in its future annual reports.</p>
10	<b>Recognise the legitimate interests of stakeholders</b>	<p>The Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders which is available on the Company's website.</p>