



CARPENTARIA EXPLORATION LIMITED

CORPORATE GOVERNANCE STATEMENT



CORPORATE GOVERNANCE

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Directors ("Board") of Carpentaria Exploration Limited ("Carpentaria Exploration") is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Carpentaria Exploration. The Board supports a system of corporate governance to ensure that the management of Carpentaria Exploration is conducted to maximize shareholder wealth in a proper and ethical manner. This statement has been placed on the Company's website (www.carpentariaex.com.au).

ASX Corporate Governance Council Recommendations

On 31 March 2003, the ASX Corporate Governance Council released its Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles").

ASX Principle 2.1 and 2.2 requires that the majority of the board should be independent directors including the Chairman. The Company does not have a majority of independent directors including the Chairman. The Board considers that the Company is not currently of a size, nor are its affairs of such a complexity, to justify the expense of independent non executive directors. The Board believes that the individuals on the Board can make, and do make, quality independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion of that topic. The Company's Chairman, Mr Nick Sheard, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However, the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

ASX Principle 2.3 requires that the roles of a chairman and chief executive officer (or the like) should not be exercised by the same person. Mr Nick Sheard, is the Chairman and Managing Director of the Company. While the Board recognizes the importance of the need for the division of responsibilities between the chairman and the managing director, it considers the existing structure provides unified leadership important to a newly incorporated company with early stage exploration projects. Mr Sheard's dual role makes him responsible (along with the whole Board) for determining strategic direction of the Company, as well as having primary responsibility for day to day management. At present this dual role assists the Company to run in a cost effective and efficient manner.

The Board intends to re-consider the duality of Mr Sheard's role and the merits of appointing a new managing director as the Company evolves and increases its operations.

ASX Principle 2.4 requires listed entities to establish a nomination committee. The Company does not have a separately established nomination committee. Given the current size of the Board, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's charter.

ASX Principles 3.1 and 3.2 require the Company to make available a summary of the Company's Code of Conduct and its Trading Policy and suggest that these should be posted on the Company's website. These policies have been posted on the Company's website.

ASX Principle 4.1 and 7.2 requires the chief executive officer (or equivalent) and 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 and founded on a sound system of risk management, internal compliance and control systems. The Board currently receives financial information and reports from the Chairman and Managing Director and personnel responsible for the preparation of financial reports and as such is satisfied that its accounts will reflect the matters required under ASX Principle 4.1.

ASX Principle 4.2 and 4.3 requires listed entities to establish an audit committee. The Company does not have a separately established audit committee. The Board considers that the Company is not of a size, nor are its affairs of such a complexity, to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of internal control systems.

Pursuant to ASX Principle 5.2, the Company has made available publicly a copy of the Company's Continuous Disclosure Policy on the Company's website.

ASX Principle 6.1 requires that the Company also makes available publicly a copy of its communications strategy. A copy of the Company's Communications with Shareholders Policy has been placed on the Company's website.

ASX Principle 7.3 requires the Company publicly to disclose a description of the Company's risk management policy and internal compliance and control system. These disclosures are contained in a Risk Management policy, which is available to be viewed on the Company's website.

ASX Principle 9.2 states that the Board should establish a remuneration committee. The Company has a separately established remuneration committee. The Board has approved a Remuneration Policy, which has been posted on the Company's website.

ASX Principle 10.1 requires the Company publicly to disclose its code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. The Code of Conduct has been placed on the Company's website.

In relation to the above, the Company believes it has implemented suitable practices and procedures in respect of Corporate Governance considering the size of the Board and the size and maturity of the Company. The Board wishes to acknowledge that nothing has come to its attention which would lead the Board to conclude that its current practices and procedures are not appropriate for an organization of this size and maturity.

Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, Carpentaria Exploration's accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts.

The Auditor attends and is available to answer questions at, the Company's annual general meetings.

Auditor Independence

The Company has implemented procedures to monitor the independence and competence of the



Company's external auditors. Details of the amounts paid for both work and non-audit services are set out in each annual report.

The Board requires that adequate handovers occur in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Board Charter

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities. The Board Charter has been placed on Carpentaria Exploration's website.

Share Trading Policy

Carpentaria Exploration has established a share trading policy, which has been placed on the Company's website.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Chairman and Managing Director in relation to continuous disclosure matters. The Chairman and Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

The Company's continuous disclosure policy may be viewed on the Company's website.

Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Company's Code of Conduct has been placed on its website.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Carpentaria Exploration. Information is communicated to shareholders through the distribution of annual reports; and presentation to shareholders at the Annual General Meeting, which they are encouraged to attend. The Company's Communications Policy has been placed on the website. In addition, all reports, including quarterly reports and releases made by Carpentaria Exploration throughout the year with respect to its activities are distributed widely via the Australian Stock Exchange and are posted on the Company's website.