

1. PURPOSE

Carnarvon Energy (Carnarvon) recognises that risk is inherent in its activities and operations and managing risk is essential to its continuing success. Carnarvon is committed to identifying, evaluating, and treating all risks in a proactive and effective manner.

The purpose of the Risk Management Policy (“Policy”) is to provide a consistent process for the recognition and management of risks across our business and operations.

2. APPLICATION

All Carnarvon management, employees and contractors are required to work within the relevant legislation and regulations, the guidelines of the company’s documented Business Management System (BMS) and must take all reasonable care to comply with this Policy.

3. POLICY STATEMENT

In order to fully understand and manage risks, Carnarvon has established a Risk and Governance Process Standard which provides the framework for how risk will be managed within the company. This Policy forms part of the corporate governance framework and integrates with the strategic business planning process. The Policy addresses both strategic and operational risks and the requirement of the business to operate in its regulatory environment.

The risk management framework is based on the ISO 31000:2018 standard incorporates the following elements:

- Identification of risks to determine what can happen, when and how;
- Assessment of risks to determine causes and potential impact on the organisation;
- Evaluation of risks against the preparedness of the business to accept or retain risks;
- Treatment of risks deemed unacceptable to the business;
- Communication and consultation of risk management activities and processes to stakeholders; and
- Monitoring and review of risks, risk treatment actions and the risk and governance framework.

4. RISK MANAGEMENT OVERSIGHT

Carnarvon’s Board will oversee the Policy and the Company’s exposure to risk. Oversight of the effectiveness of the risk management processes and activities will provide assurance to the Board and shareholders and will support the Company’s commitment to continuous business improvement.

5. RISK TOLERANCE AND RISK APPETITE

Carnarvon’s risk appetite and tolerance has been developed to determine which risks are acceptable and which risks need mitigation through the development of risk treatment or action plans. The Risk Management Framework articulates the Company’s risk appetite and tolerance.

6. ACCOUNTABILITY

Ownership of risks and risk treatment actions are assigned to relevant roles within the business. Carnarvon has incorporated risk management accountability in executive and management roles which report (informally) on risks and risk treatment actions.

7. COMMUNICATION AND CONSULTATION

Carnarvon will communicate and consult with its stakeholders (internal and external) on its approach to risk management and corporate governance.

8. CORPORATE GOVERNANCE

The Policy forms part of the corporate governance framework and integrates with the strategic business planning process. The Policy addresses both strategic and operational risks and the requirement of the business to operate in its regulatory environment.

Carnarvon's Corporate Governance Framework outlined in our Corporate Governance Statement is based on the following key principles from the Governance Institute of Australia;

- **Transparency:** Carnarvon is focussed on being clear and unambiguous about the organisation's structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, legitimate stakeholders and the market generally.
- **Accountability:** Carnarvon is committed to ensuring that there is clarity of decision-making within the organisation, that processes are in place to ensure that the right people have the right authority for the organisation to make effective and efficient decisions.
- **Stewardship:** Carnarvon will develop and maintain an enterprise-wide recognition that the organisation is managed for the benefit of its shareholders/members, taking reasonable account of the interests of other legitimate stakeholders.
- **Integrity:** Carnarvon will develop and maintain a culture committed to ethical behaviour and compliance with the law.

Carnarvon's Corporate Governance Framework is committed to the listing rules of Australian Securities Exchange Limited (ASX), the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) and the Guiding principles of good governance from the Australian Institute of Company Directors (AICD).

Carnarvon's Corporate Governance Framework is supported by the following documents;

- Corporate Governance Statement
- Statement of Board and Management Functions
- Audit Committee Charter
- Corporate Code of Conduct
- Executive Code of Conduct
- Information Disclosure Policy
- Shareholder Communication Strategy
- Remuneration Committee Charter
- Policy for Trading in Company Securities

9. REPORTING AND REVIEW

Carnarvon will monitor risks and mitigation actions on an ongoing basis. Performance of the risk management system and outstanding risk mitigation actions will be reported to the Board on a regular basis. Carnarvon will report on the key performance indicators (KPIs) and effectiveness of this Policy against commitments and agreed objectives in accordance with the BMS. The Carnarvon Board will review the KPIs and effectiveness of the BMS according to the Audit and Review Schedule. Formal reviews of both the risk management system and the risk register will take place on an annual basis and the Board will assess the effectiveness of the Policy annually.

The Board reviews all major strategies and purchases for their impact on the risk facing the Company and makes appropriate recommendations. The Company also undertakes an annual review of operations to update its risk profile. This normally occurs in conjunction with the strategic planning process.

10. RELATED LEGISLATION AND DOCUMENTS

Each subsidiary is responsible for updating and maintaining a legal and regulatory register that reflects relevant legislation and regulations for the operations and activities conducted.

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- Statement of Board and Management Functions
- Audit Committee Charter
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- Remuneration Committee Charter
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11. FEEDBACK

Staff and contractors may provide feedback about this document by emailing XXXX.

12. APPROVAL AND REVIEW DETAILS

	Responsible	Accountable	Consulted	Informed
Director			X	
CEO	X			
COO		X		
Business Process Manager				X