



PETROPAVLOVSK

PETROPAVLOVSK PLC

SCHEDULE OF MATTERS RESERVED FOR THE BOARD

1. The purpose of the Board is to:
 - 1.1 Monitor Group activities to see that sustainable value is being created;
 - 1.2 Evaluate business strategies and monitor their implementation;
 - 1.3 Monitor and review the performance of Management;
 - 1.4 Monitor the performance of the existing asset portfolio and new business initiatives;
 - 1.5 Develop, review and monitor Board and senior executive succession plans;
 - 1.6 Maintain current view of prevailing market conditions and trends;
 - 1.7 Monitor key performance indicators;
 - 1.8 Provide accountability to shareholders through appropriate reporting and regulatory compliance;
 - 1.9 Monitor the auditing and control mechanisms;
 - 1.10 Understand and ensure the management of operational business and financial risks to which the Group is exposed;
 - 1.11 Observe and ensure HSE compliance;
 - 1.12 Review its own contribution to the Company's performance;
 - 1.13 Ensure continuing adherence to disclosure provisions of relevant legislation;
 - 1.14 Safeguard the Group's reputation, values, ethics, culture and assets, including knowledge;
 - 1.15 Evaluate its own performance and that of the Board Sub-committees and advisory committees.

2. Accordingly, the following detailed matters are reserved for the Board:

2.1 Strategy and management

- (a) Responsibility for the overall management of the Company.
- (b) Approval of the Company's long term objectives and strategy.
- (c) Approval of the annual operating and capital expenditure budgets and any material changes to them.
- (d) Consideration of any proposal to merge or amalgamate the Company with another company.
- (e) A change in the Company's domicile or status.
- (f) Oversight of the Group's operations ensuring:
 - (i) Competent and prudent management;
 - (ii) Sound planning;
 - (iii) An adequate system of internal control;
 - (iv) Adequate accounting and other records;
 - (v) Compliance with statutory and regulatory obligations.
- (g) Review of performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- (h) Any decision to expand the Group's activities into new business or geographic areas.
- (i) Any decision to cease to operate all or any material part of the Group's business (such standard of materiality being determined by the Board).

2.2 Transactions and contracts

- (a) Approval of any acquisition or disposal of any investment, asset or business by the company above \$20 million.
- (b) The Board will be notified of all expenditure in accordance with the authorisation limits set by the Board.

- (c) Approval of any acquisition of any investment, asset or business by the Company which would involve the commencement of an activity of a substantially different nature or character to any activity from time to time carried on by the Group (no matter what its value).
- (d) Approval of any acquisition or disposal of any interest in equity securities by the Company of more than 5 per cent in the voting shares of any company, or the making of any takeover offer for any listed company.
- (e) Consideration and, if necessary, defence against any offer to purchase the Company or a majority of its shares.
- (f) Approval of the making of any material contract by the Company or any of its subsidiaries above \$20 million or making any amendment to or waiver of any such material contract.
- (g) Approval by the Independent Directors of the entering into by the Company of any transactions with related parties, whether or not entered into in the ordinary course of business. Once Independent Director approval is obtained, the Board will then approve the related party transaction.

2.3 Structure and capital

- (a) Approval of the allotment of any shares of the Company, other than in accordance with the terms of a share option, share purchase, profit sharing or other incentive plan previously approved by the board or shareholders as appropriate.
- (b) Approval of changes relating to the Company's capital structure including reduction of capital, share issues (except under employee share schemes), share buy-backs (including the issue of treasury shares).
- (c) Approval of major changes to the Group's corporate structure.
- (d) Approval of changes to the Company's management and control structure.
- (e) Consideration of any material change to the Company's listing, including establishing an additional listing on any exchange or delisting the Company's shares from any exchange.

2.4 Legal and regulatory compliance

- (a) Approval of a system that ensures that all legal and regulatory requirements and obligations are met.
- (b) Ensuring that the appropriate level of internal expertise and external advice is available.

2.5 Financial reporting and controls

- (a) Approval of preliminary announcements of interim and final results.
- (b) Approval of the annual report and accounts, including the corporate governance statement and remuneration report.
- (c) Approval of the interim report and accounts.
- (d) Approval of the dividend policy.
- (e) Declaration of any interim dividend and recommendation to shareholders of final dividend.
- (f) Approval of any significant changes in accounting policies or practice.
- (g) Approval of treasury policies including foreign currency exposure management.
- (h) Review of quarterly financial summary and approval of any material financial or operational actions arising there from.

2.6 Ensuring maintenance of a sound system of internal control and risk management including:

- (a) Receiving reports on, and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives;
- (b) Undertaking an annual assessment of these processes; and
- (c) Approving an appropriate statement for inclusion in the annual report.

2.7 Identification and detection of fraud

The primary responsibility for the prevention and detection of fraud rests with the Board. To do this the Board will:

- (a) Oversee the establishment and maintenance of internal controls over the reliability of financial reporting;
- (b) Monitor the effectiveness and efficiency of operations at all locations; and
- (c) Ensure compliance with applicable laws and regulations in all countries of operation.

2.8 Communication

- (a) Approval of resolutions and corresponding documentation, including Notices of General Meetings, to be put to shareholders at a general meeting.
- (b) Approval of all circulars and listing particulars.
- (c) Approval of material press releases concerning matters decided by the Board.

2.9 Board membership and committees

- (a) Changes to the structure, size and composition of the Board, following recommendations from the Remuneration and Nomination Committee.
- (b) Ensuring adequate succession planning for the Board and senior management.
- (c) Selection of and division of responsibilities between the Chairman and Chief Executive Officer.
- (d) Appointment or removal of the Company Secretary.
- (e) Membership and chairmanship of Board committees.
- (f) The appointment of, or any change to the terms of reference of, any committee of the Board, and of directors to the Board committees.
- (g) The terms and conditions of letters of appointment for Non-Executive Directors.
- (h) Appointment, re-appointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.

- (i) Continuation in office of Directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- (j) Continuation in office of any Director at any time, including the suspension or termination of service of an executive Director as an employee of the Company, subject to the law and their service contract.
- (k) Appointments to the Boards of subsidiaries.
- (l) The delegation of matters to, and the terms of reference for, the following committees of the board:
 - (i) The Board meeting which set the date of the first Audit Committee meeting is dated 06 August 2002.
 - (ii) The Remuneration and Nomination Committee constituted by resolution of the board dated 18 December 2002. 18 April 2007 by the Board decision Remuneration Committee renamed to Remuneration and Nomination Committee in order that its name more accurately reflect its responsibilities under its terms of reference. Remuneration and Nomination Committee separated into two separate committees by the Board decision taken place 17 April 2008.
 - (iii) The HSE Committee constituted by resolution of the board dated 24 January 2007.
 - (iv) Other matters as required.

2.10 Remuneration

- (a) Determining the remuneration policy for the Directors, Company Secretary and other senior executives, following the recommendation of the remuneration committee.
- (b) The introduction of new share incentive plans or major changes to existing plans, to be put to shareholders for approval, following recommendation of the remuneration committee.

2.11 Policies

- (a) The approval of policies, where appropriate, to include:
 - (i) Charitable donations policy.
 - (ii) Code of conduct
 - (iii) Health and Safety Policy.
 - (iv) Environmental Policy.
 - (v) Corporate and Social Responsibility Policy.
 - (vi) Share Dealing Code.
 - (vii) Communications Policy including Procedures for the Release of Price Sensitive Information.
 - (viii) Whistle Blowing Policy (see section 2.5 below).
 - (ix) Anti-Bribery Policy.

2.12 Corporate governance

- (a) Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors.
- (b) Determining the independence of directors.
- (c) Review of the Company's overall corporate governance arrangements.
- (d) Considering the balance of interests between shareholders and other stakeholders (employees, customers, suppliers and the community).
- (e) Receiving reports on the views of the Company's shareholders.

2.13 Miscellaneous

- (a) The approval of a risk management strategy for the Group.
- (b) Prosecution, defence, arbitration or settlement of litigation of the Group.
- (c) Approval of the overall levels of insurance for the Group including Directors and Officers liability insurance.
- (d) The making of political donations by the Group.
- (e) Major changes to the rules of the Group's pension scheme, or changes of trustees or, when this is subject to the approval of the Company, changes in the fund management arrangement.
- (f) Any other matter affecting the credibility or general perception of the Company.
- (g) Any other matter required to be considered or approved by the board as a matter of law or regulation.
- (h) This schedule of matters reserved for board decisions.

2.4 Specific Tasks of the Board

2.4.1 When reviewing information provided by Management the Board shall:

- (a) Consider the significant risks faced by the Group and assess how they have been identified, evaluated and managed. The Board shall satisfy itself that all the significant risks threatening the achievement of its business objectives have been identified, assessed and managed to the Board's satisfaction.
- (b) Assess the effectiveness of the related system of internal control in managing the significant risks;
- (c) Consider whether prompt action is being taken to remedy any significant failings or weaknesses;
- (d) Consider whether more extensive monitoring is necessary;
- (e) Consider changes in the nature and extent of the significant risks facing the Group and the Group's ability to respond effectively to changes in its business and external environment; and
- (f) Review the Group's business and operational structure to identify changes that might alter the risk profile, as the ability to respond effectively to a change in circumstances is essential.

2.5 Whistle blowing policy

- 2.5.1 Wherever possible concerns should be raised through the Chief Executive or the Chief Financial Officer. Where it is believed that the Chief Executive or the Chief Financial Officer is the source of the malpractice or that a group of managers/Directors are colluding in the malpractice or are implicated, then the concerns should be raised with the Senior Non-Executive Director. If someone wishes to raise the matter with someone independent of the Board, they should contact the Company Secretary.