

Principles

Risk recognition and management are viewed by PVE as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of PVE's strategies in gas exploration and development.

The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit and Risk Committee.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

Not all aspects of risk management can be formalised, and PVE places considerable reliance on the skill, experience and judgement of its people to take risk managed decisions within the policy framework, and to communicate openly on all risk related matters.

Risk Framework

Key elements of the framework for the management of risk by PVE are:

- Oversight of the Company's financial affairs by the Audit and Risk Committee.
- The review of exploration and development programmes by external specialist consultants.
- Regular reporting against established targets.
- Approval guidelines for exploration and capital expenditure.
- Periodic review of capital and financial risk management.

- Regulatory compliance programmes and reporting in key areas such as safety and environment.
- An annual insurance programme.
- Oversight of the conduct of contractors.

Risk Evaluation and Control

The management team, under the leadership of the CEO, is requested to draw together from within their ranks a group who periodically meet to identify and assess specific business risks. The group has experience in all of PVE's activities and is broadly conversant with PVE's business plans, objectives and values.

Based on reviews of each segment of PVE's business, an overall profile of the risks of PVE is established.

- Identified risks are assessed in terms of potential consequences and likelihood.
- Risks are ranked in accordance with their likely impact.
- The acceptability of each identified risk is assessed.
- Proposed actions to eliminate, reduce or manage each material risk are considered and agreed.
- Responsibilities for the management of each risk are assigned.
- A process is established for monitoring and reviewing PVE's risk profile, in particular when any of PVE's business circumstances change.

The overall results of this assessment are presented to the Board at least annually, and updated as needed. Periodic review is made at least annually of the effectiveness and suitability of the risk management plan.