



Board Charter

S2 Resources Limited

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**S2 RESOURCES LIMITED
BOARD CHARTER**

1. GENERAL

1.1 Purpose of this Board Charter

The Board of Directors (**Board**) of S2 Resources Limited (the **Company**) has ultimate responsibility to the Company's shareholders for the strategy and performance of the Company in general. The Board recognises that good governance policies and processes are critical to ensuring that the Company is governed in the best interests of the Company as a whole, so has decided to articulate and formalise the corporate governance framework within which the Company operates.

The purpose of this document is to record the policies upon which the Board has decided to meet its legal and other responsibilities and sets out the Company's commitment to effective corporate governance (**Board Charter**). Amongst other things, this Board Charter defines the respective roles, responsibilities and authorities of the Board, both individually and collectively, and of management in setting the direction, management and the control of the organisation. In doing so, the Board Charter establishes the guidelines within which the Directors and officers of the Company are to operate as they carry out their respective roles. It does not in any way constitute legal advice or act as a substitute for legal advice.

1.2 Annual review of Board Charter

The Board will undertake an annual review of, and as necessary update, the Board Charter to reflect any changes to the legal framework within which the Company operates, and developments in Board policies and procedures.

It is the responsibility of the Company Secretary to ensure that the Board is consulted regarding any changes and updates to this Board Charter, that the Board Charter remains current and is reviewed and amended on an annual basis, and that all Board members are provided with the latest versions of the Board Charter.

1.3 Conflicts

The Company recognises the overriding importance of its legal obligations which arise from various sources. Accordingly, nothing in this Charter must conflict with the Company's Constitution (**Constitution**), the *Corporations Act 2001*(Cth) (**Corporations Act**) or the ASX Listing Rules. If such a conflict occurs, the Constitution, Corporations Act and the ASX Listing Rules shall prevail to the extent of any such inconsistency.

PART A – DEFINING GOVERNANCE ROLES

2. ROLE OF THE BOARD

The Board has ultimate responsibility for all matters relating to the running of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the directors of the Company (**Directors**) must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board has final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include:

- (a) providing leadership to the Company by:
 - (i) guiding the development of an appropriate culture and values for the Company through the establishment and review of rules and procedures to enforce ethical behaviour and provide guidance on appropriate work methods; and
 - (ii) always acting in a manner consistent with the Company's culture and values;
- (b) overseeing the development and implementation of an appropriate strategy by:
 - (i) working with the senior management team to ensure that an appropriate strategic direction and array of goals are in place;
 - (ii) regularly reviewing and amending or updating the Company's strategic direction and goals;
 - (iii) ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
 - (iv) when required, overseeing planning activities including the development and approval of strategic plans, annual plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets; and
 - (v) reviewing the progress and performance of the Company in meeting these plans and corporate objectives, including reporting the outcome of such reviews on at least an annual basis;

- (c) approving the Company's financial reports (after receiving a declaration from the Managing Director (**MD**) / Chief Executive Officer (**CEO**) (if that title is to be used for the person appointed to lead the Company's management) and Chief Financial Officer (**CFO**) of the kind referred to in clause 19.1 of this Board Charter);
- (d) ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders;
- (e) overseeing the control and accountability systems that ensure the Company is progressing towards the goals set by the Board and in line with the Company's purpose, the agreed corporate strategy, legislative requirements and community expectations;
- (f) identifying the principal risks faced by the Company (including economic, environmental and social sustainability risks) and ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively;
- (g) being responsible for the Company's senior management and personnel including:
 - (i) directly managing the performance of the MD / CEO including:
 - (A) appointing and remunerating the MD / CEO;
 - (B) providing advice and counsel to the MD / CEO including formal reviews and feedback on his or her performance;
 - (C) overseeing the development or removal of the MD / CEO, where necessary;
 - (ii) ratifying the appointment, the terms and conditions of the appointment and, where appropriate, removal of the CFO and / or Company Secretary;
 - (iii) ensuring that an appropriate succession plan for the MD / CEO, CFO and Company Secretary is in place; and
 - (iv) when required, ensuring appropriate human resource systems (including occupational health and safety systems) are in place to ensure the well-being and effective contribution of all employees;
- (h) delegating appropriate powers to the MD / CEO, management and Board Committees to ensure the effective day-to-day management of the business and monitoring the exercise of these powers; and
- (i) making all decisions outside the scope of these delegated powers.

The detail of some Board functions will be handled through Board Committees as and when the size and scale of operations necessitates the establishment of such committees (in the opinion of the Board, from time to time). However, the Board as a whole is responsible for determining the extent of powers residing in each Board Committee and is ultimately responsible for accepting, modifying or rejecting Board Committee recommendations (if applicable).

3. **BOARD STRUCTURE**

3.1 **Composition of the Board**

The minimum and maximum number of Directors is set out in the Constitution.

The Board's policy is that at a time when the size of the Company and its activities warrants such a structure (in the opinion of the Board, from time to time), the Board will consist of a majority of independent, Non-Executive Directors. This will ensure that all Board discussions or decisions have the benefit of outside views and experience, and that the majority of Directors will be free of any interests or influences that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board has adopted the definition of independence set out in the Third Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**).

The independence of the Non-Executive Directors will be assessed on an ongoing basis (and at least annually at or around the time that the Board considers candidates for election to the Board).

3.2 **Appointment and rotation of Directors**

The Company may increase or decrease the number of Directors by ordinary resolution at a general meeting and otherwise in accordance with the Constitution. A Director (except for the MD / CEO) must retire from office at the third annual general meeting after the Director was elected or last re-elected (or earlier) and will be eligible for re-election, unless removed from office by ordinary resolution at a general meeting in accordance with the Constitution.

The Board may appoint a person to be a Director at any time except during a general meeting. Any Director so appointed automatically retires at the next annual general meeting and is eligible for election by that general meeting.

The Board will undertake appropriate checks as to a candidate's character, experience, education, criminal record and bankruptcy history (and any other checks it considers appropriate) and will consider any adverse information revealed by such checks before appointing a person as a Director or recommending a candidate for election or re-election as a Director.

3.3 **Notices of meeting involving the election or re-election of Directors**

The Company must notify shareholders of every candidate for election as a Director with a notice of meeting.

Notices of meeting for any general meeting at which the election or re-election of a Director is proposed will set out all material information in the Company's possession relevant to a decision on whether or not to elect or re-elect a Director, including:

- (a) biographical details, including their relevant qualifications and experience and the skills they bring to the Board;
- (b) details of any other material directorships currently held by the candidate;
- (c) in the case of a candidate standing for election as a Director for the first time:
 - (i) any material adverse information revealed by the checks the Company has conducted on the candidate;

- (ii) details of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect their independence; and
 - (iii) if the Board considers that the candidate will, if elected, qualify as an independent Director, a statement to that effect;
- (d) in the case of a candidate standing for re-election as a Director:
 - (i) the term of office currently served by the Director;
 - (ii) if the Board considers the Director to be independent, a statement to that effect; and
- (e) a statement by the Board as to whether it supports the election or re-election of the candidate.

3.4 **Board skills matrix**

All Directors should bring specific skills and experience to the Board that add value to the Company. When considering the potential reappointment of an existing Director, the Board will take into account the below skills matrix, which sets out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. When considering vacancies, the Board will take into account a candidate's capacity to enhance the skills matrix and experience of the Board.

The following areas of knowledge as required by the Board as a whole:

- (a) Geology;
- (b) Health, Safety and Environment;
- (c) Commercial;
- (d) Legal;
- (e) Communications;
- (f) Finance.

The Board will review the capabilities, technical skills and personal attributes of its Directors. It will normally review the Board's composition against those attributes and recommend any changes in Board composition that may be required. An essential component of this will be the time availability of Directors.

3.5 **Written agreement**

The Company shall have a written agreement with each Director and senior executive, setting out the terms of their appointment.

3.6 **Duration of appointment**

In the interest of ensuring a continual supply of new talent to the Board, if a Director has served in their position for more than 10 years, the Board will regularly assess if their independence may have been compromised.

3.7 **Vacation of office**

Subject to clause 3.6, it is envisaged that Directors shall remain on the Board until required to vacate the office by law or as provided for in the Constitution.

3.8 **The role of individual Directors**

As members of the peak decision-making body in the Company, Directors share ultimate responsibility for the Company's overall success. Therefore, Directors have an individual responsibility to ensure that the Board is undertaking its responsibilities. Directors need to ensure that the Board is providing:

- (a) leadership to the Company, particularly in the areas of ethics and culture;
- (b) a clear and appropriate strategic direction;
- (c) accountability to key stakeholders, particularly shareholders;
- (d) oversight of policies;
- (e) oversight of all control and accountability systems including all financial operations and solvency, risk management and compliance;
- (f) an effective senior management team and appropriate personnel policies as and when required; and
- (g) timely and effective decisions on matters reserved to it.

3.9 **Directors' code of conduct**

In accordance with legal requirements and agreed ethical standards, Directors and senior executives of the Company:

- (a) will act honestly, in good faith and in the best interests of the whole Company;
- (b) owe a fiduciary duty to the Company as a whole;
- (c) have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- (d) will undertake diligent analysis of all proposals placed before the Board;
- (e) will act with a level of skill expected from Directors and key executives of a publicly listed company;
- (f) will use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- (g) will demonstrate commercial reasonableness in decision making;
- (h) will not make improper use of information acquired as Directors and key executives;
- (i) will not disclose non-public information except where disclosure is authorised or legally mandated;
- (j) will keep information received in the course of the exercise of their duties confidential. Such information remains the property of the Company from the time at which it was obtained and it is improper to disclose it, or allow it to be disclosed,

unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;

- (k) will not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company;
- (l) will not take advantage of Company property or use such property for personal gain or to compete with the Company;
- (m) will protect and ensure the efficient use of the Company's assets for legitimate business purposes;
- (n) will not allow personal interests, or the interest of any associated person, to conflict with the interests of the Company;
- (o) have an obligation to be independent in judgment and actions and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- (p) will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally, towards achieving its goals;
- (q) will not engage in conduct likely to bring discredit upon the Company;
- (r) will encourage fair dealing by all employees with the Company's customers, suppliers, competitors and other employees as and when those dealings occur;
- (s) will encourage the reporting of unlawful / unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;
- (t) will give their specific expertise generously to the Company; and
- (u) have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this code of conduct.

3.10 **Expectations of Directors in Board process**

Since the Directors on the Board need to work together as a group, Directors need to establish a set of standards for Board meetings. At the Company, it is expected that Directors shall, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board. This will include, but is not limited to:

- (a) behaving in a manner consistent with the letter and spirit of the code of conduct set out in clause 3.9 above;
- (b) acting in a businesslike manner;
- (c) acting in accordance with the Constitution and any Board policies;
- (d) addressing issues in a confident, firm and friendly manner;
- (e) preparing thoroughly for each Board or Board Committee event;
- (f) using judgment, common sense and tact when discussing issues;
- (g) minimising irrelevant conversation and remarks;

- (h) ensuring that others are given a reasonable opportunity to put forward their views; and
- (i) refraining from interruption or interjection when a speaker has the floor; and being particularly sensitive in interpreting any request or direction from the Chairman that aims to ensure the orderly and good-spirited conduct of the meeting.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, fully canvas all aspects of any issue confronting the Company, and cast their vote on any resolution according to their own judgment.

Outside the Boardroom, Directors are expected to support the letter and spirit of Board decisions in discussions with all stakeholders including any shareholders, special interest groups, customers, staff, suppliers and any other parties.

Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and is not to be discussed outside the Boardroom. It is improper to disclose it, or allow it to be disclosed, unless that disclosure is required by law and, in any event, should not be disclosed without appropriate authorisation.

3.11 **Conflict of interest**

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director and the interests of the Company. On appointment, Directors will have an opportunity to declare any such interests.

Directors should update this disclosure by notifying the Company Secretary in writing as soon as they become aware of any actual or potential conflicts. Directors are also expected to indicate to the Chairman any actual or potential conflict of interest situation as soon as it arises.

The Board can request a Director to take reasonable steps to remove the conflict of interest. If a Director cannot or is unwilling to remove a conflict of interest, the Director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the Director concerned will be minuted by the Company Secretary. Directors do not have to give notice of a conflict or absent themselves in accordance with section 191(2) or Section 195 of the Corporations Act, including, without limitation when either:

- (a) the conflict of interest relates to an interest common to all Company members / shareholders; or
- (b) the Board passes a resolution that:
 - (i) identifies the Director, the nature and extent of the Director's interest; and
 - (ii) clearly states that the other Directors are satisfied that the interest should not disqualify the Director concerned from discussion and / or voting on the matter.

3.12 **Related party transactions**

Related party transactions include any financial transaction between a Director or officer and the Company and will be reported in the Company's half yearly and annual reports.

In general, the Corporations Act requires related party transactions to be approved by the shareholders; the Board cannot, except in certain limited circumstances, approve these transactions. Examples of exemptions to this requirement occur where the financial benefit is given on arm's length terms, or is considered to be reasonable remuneration to an officer or employee.

The Board has resolved that where applications are made by a related party to a Director or officer of the Company then the Director or officer shall exclude himself / herself from the approval process.

"Related party" for this process has the meaning given to that term in Section 228 of the Corporations Act and includes:

- (a) a spouse or de facto spouse of the Director or officer; or
- (b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or
- (c) an entity over which the Director or officer or a related party defined in (a) or (b) has a controlling interest.

3.13 **Emergency contact procedures**

As there is the occasional need for urgent decisions, Directors should leave with the Company Secretary any contact details, either for themselves or for a person who knows their location, so that all Directors can be contacted within 24 hours in cases of a written resolution or other business.

4. **BOARD COMMITTEES**

When the size of the Company and the scale of its activities warrant it (in the opinion of the Board, from time to time), the Board will institute the following Board Committees:

- (a) Audit and Risk Committee; and
- (b) Remuneration and Nomination Committee.

If these Board Committees are established, separate charters for each Board Committee will be established. Nevertheless, the Board has the ability to alter the roles of each Board Committee as it sees fit.

As at the date of this Corporate Governance Plan, the Board has not established any Board Committees.

5. **THE ROLE OF THE CHAIRMAN**

The Chairman of the Board will be an independent Director. The Chairman's role is a key one within the Company. The Chairman is considered the "lead" Director and utilises their experience, skills and leadership abilities to facilitate the governance processes.

There are two main aspects to the Chairman's role - the Chairman's role within the Boardroom and the Chairman's role outside the Boardroom.

5.1 **Chairman's role inside the boardroom**

Inside the Boardroom, the role of the Chairman is to:

- (a) establish the agenda for Board meetings in consultation with the MD / CEO;

- (b) chair Board meetings;
- (c) be clear on what the Board has to achieve, both in the long and short term;
- (d) provide guidance to other Board members about what is expected of them;
- (e) ensure that Board meetings are effective in that:
 - (i) the right matters are considered during the meeting (for example, strategic and important issues);
 - (ii) matters are considered carefully and thoroughly;
 - (iii) all Directors are given the opportunity to effectively contribute; and
 - (iv) the Board comes to clear decisions and resolutions are noted;
- (f) brief all Directors in relation to issues arising at Board meetings;
- (g) ensure that the decisions of the Board are implemented properly; and
- (h) ensure that the Board behaves in accordance with the code of conduct set out in clause 3.9 above ;

5.2 **Chairman's role outside the boardroom**

Outside the Boardroom, the role of the Chairman is to:

- (a) in conjunction with the MD / CEO, undertake appropriate public relations activities;
- (b) be the spokesperson for the Company at its annual general meetings and in the reporting of performance and profit figures;
- (c) be the major point of contact between the Board and the MD / CEO;
- (d) be kept fully informed of current events by the MD / CEO on all matters which may be of interest to Directors;
- (e) regularly review with the MD / CEO, and such other senior officers as the MD / CEO recommends, progress on important initiatives and significant issues facing the Company; and
- (f) provide mentoring for the MD / CEO.

6. **THE ROLE OF THE COMPANY SECRETARY**

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.

The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have a right access to the Company Secretary.

The tasks of the Company Secretary shall include:

- (a) Meetings and Minutes
 - (i) notifying the Directors in advance of a meeting of the Board;

- (ii) ensuring that the agenda and Board papers as and when they are required, are prepared and forwarded to Directors prior to Board meetings;
 - (iii) recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
 - (iv) maintaining a complete set of Board papers at the Company's main office, preparing for and attending all annual and extraordinary general meetings of the Company; and
 - (v) recording, maintaining and distributing the minutes of all general meetings of the Company.
- (b) Compliance
- (i) overseeing the Company's compliance program and ensuring the Company's compliance and reporting obligations are met;
 - (ii) ensuring all requirements of Australian Securities and Investments Commission, the Australian Taxation Office and any regulatory bodies are fully met; and
 - (iii) providing counsel on corporate governance principles and Director liability.
- (c) Governance Administration
- (i) maintaining a register of Company policies as approved by the Board;
 - (ii) maintaining, updating and ensuring that all Directors have access to an up-to-date copy of the Board Charter and any associated governance documentation;
 - (iii) maintaining the complete list of the delegations of authority;
 - (iv) reporting at Board meetings the documents executed under a power of attorney, or under the common seal; and
 - (v) any other services the Chairman or Board may require.

7. THE ROLE OF THE MD / CEO

The MD / CEO is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

The MD / CEO's primary objective is to ensure the ongoing success of the Company through being responsible for all aspects of the management and development of the Company. The MD / CEO is of critical importance to the Company, in guiding the Company to develop new and imaginative ways of winning and conducting business. The MD / CEO must have the industry knowledge and credibility to fulfil the requirements of the role.

The MD / CEO will, as and when the size, nature and scale of the Company's activities requires it (in the opinion of the Board, from time to time), manage a team of executives responsible for all functions contributing to the success of the Company.

The MD / CEO's specific responsibilities will include:

- (a) in conjunction with the Board, development of the Company's vision, values, and goals;
- (b) responsibility for the achievement of corporate goals and objectives;
- (c) development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- (d) preparation of business plans and reports with the senior management;
- (e) in conjunction with the Board, development of the definition of "ongoing corporate strategy";
- (f) implementing and monitoring strategy and reporting and presenting to the Board on current and future initiatives;
- (g) advising the Board regarding the most effective organisational structure and overseeing its implementation;
- (h) assessment of business opportunities of potential benefit to the Company;
- (i) responsibility for proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds;
- (j) ensuring that the Company sustains a competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the Company's goals and objectives;
- (k) establish and maintain effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- (l) undertake the role of key Company spokesperson;
- (m) recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- (n) ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- (o) ensure appropriate risk management practices and policies are in place;
- (p) develop and motivate direct reports and their respective teams;
- (q) select and appoint key staff as and when required (direct reports); and
- (r) ensure there is an appropriate staff appraisal system in place in the Company.

PART B – BOARD PROCESSES

8. BOARD MEETINGS

Board meetings are a fundamental component of governance processes. Each Board meeting is critical, as it is the main opportunity for Directors to:

- (a) obtain and exchange information with the senior management team;
- (b) obtain and exchange information with each other; and
- (c) make decisions.

The Board meeting agenda is equally as important because it shapes the information flow and subsequent discussion.

8.2 Board meeting frequency

Given the size of the Company and the scale of its activities, the Board will meet approximately six times per year but not less than three times per year and, unless otherwise agreed, any Board Committees will generally meet on a quarterly basis.

Where Board and, if any Board Committees have been established, Board Committee meetings are scheduled for the same month, where possible, Board Committee meetings will precede the Board meeting by at least one week to allow the circulation of the minutes of the Board Committee meeting to the Board prior to the Board meeting.

8.3 Board meeting time and location

The Board usually meets at the offices of the Company in Australia. Board meetings commencement time will vary depending on the agenda of each individual meeting, the availability of key participants and the location in which the meeting is taking place.

8.4 Board meeting cycle

When the size of the Company and the scale of its activities warrants it, and to assist the smooth running of Board processes, the Board will adopt an indicative monthly cycle as set out in the table below. The indicative cycle gives Board members seven days to review the agenda and Board papers to save valuable time at meetings by being prepared for discussions and allowing them to seek clarification or further information in advance on ambiguous items.

Under normal circumstances and when warranted, Board meetings shall follow the following monthly cycle:

ITEM	DAY
Draft agenda prepared by the Company Secretary	-14
Company Secretary updates actions arising from the previous meeting	-12
Company Secretary reviews the proposed agenda with the Chairman	-10
Board papers and agenda are finalised	-7
Board papers are printed	-7
All Board papers are circulated to Board meeting attendees	-7

ITEM	DAY
Board meeting	0
Draft minutes sent to Chairman	3 to 5
Draft minutes sent to Directors	6 to 10

All days indicated are calculated in relation to the Board meeting day (day zero).

This is an indicative cycle only. The actual timing of events in the lead up to and follow up from Board meetings will depend on the circumstances surrounding each individual meeting.

8.5 **Conduct of Board meetings**

The Chairman will determine the degree of formality required at each Board meeting, while maintaining the decorum of such meetings. As such, the Chairman will:

- (a) ensure that all members are heard;
- (b) retain sufficient control to ensure that the authority of the Chair is recognised. This may require a degree of formality to be introduced if this is necessary to advance the discussion;
- (c) take care that the decisions are properly understood and well recorded; and
- (d) ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

8.6 **Quorum and voting at Board meetings**

In order for a decision of the Board to be valid, a quorum of Directors must be present. A quorum will be two (2) Directors present, in person or by audio or audio-visual communication or as otherwise stipulated in the Constitution.

A resolution of the Board is passed if a majority votes cast by Directors who are present and entitled to vote are cast in favour of it.

8.7 **Written resolution**

If all the Directors entitled to receive notice of a Board meeting and to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document, a Board resolution in those terms is passed at the time when the last Director signs.

9. **BOARD MEETING AGENDAS**

9.1 **Agenda content**

An agenda will be prepared for each Board and Committee meeting.

9.2 **Agenda preparation**

The Company Secretary, in consultation with the Chairman and the MD / CEO, is responsible for preparing an agenda for each Board meeting. However, any Director may request items to be added to the agenda for upcoming meetings.

10. **BOARD PAPERS**

10.1 **Preparation and circulation of Board papers**

The Company Secretary, together with the MD / CEO, is responsible for the preparation and circulation of Board papers should they be required. The Board papers if so required will be circulated to Directors prior to the Board meeting. If a Board paper relates to a matter in which there is a known conflict of interest with a particular Director, then the relevant Board paper will be removed by the Company Secretary on the instructions of the Chairman, from the set of Board papers sent to that Director. In the case of the Chairman having a conflict of interest, the Board will appoint another Director to make final decisions on the forwarding of Board papers to the Chairman.

10.2 **Retention of Board papers**

The Company Secretary maintains a complete set of Board papers at the Company's headquarters. Individual Directors may also retain their own Board papers in a secure location.

11. **BOARD MINUTES**

Minutes are to be a concise summary of the matters discussed at a Board Meeting. Minutes will contain a brief reference to relevant Board papers tabled plus any official resolutions adopted by Directors. All decisions will be recorded in the minutes by means of a formal resolution.

12. **BOARD CALENDAR**

In order to provide an even distribution of work over each financial year, the Board will adopt a twelve-month Board calendar. Included will be all scheduled Board and Board Committee meetings, as well as major corporate and Board activities to be carried out in particular months. Once initiated, it will be updated and approved by the Board prior to the start of each financial year.

PART C – KEY BOARD FUNCTIONS

13. THE BOARD AND STRATEGY

The Board will approve a formal strategic planning process that articulates the respective roles and levels of involvement of the Board, senior management and other employees and will review the strategic plan of the Company on a regular basis.

14. CONTACTS AND ADVISORY ROLE

14.1 MD / CEO advisory role

It is recognised that a key directorial duty is providing a sounding Board for MD / CEO ideas and challenges. Recognising that the MD / CEO-Board relationship is critical to effective corporate governance, Directors should provide frank and honest advice to the MD / CEO. It is expected that the Chairman will play a key part of this role and will maintain regular contact with the MD / CEO.

All advice should be constructive in nature and provided in a positive manner. Where appropriate, Directors should recommend possible alternative advisers if they do not feel adequately trained to assist.

15. PROTOCOL FOR INTERACTION WITH INTERNAL AND EXTERNAL PARTIES

15.1 Media contact and comment

The Board has designated the MD / CEO or the Chairman (where appropriate) to speak to the press on matters associated with the Company. In speaking to the press, the MD / CEO or the Chairman will not comment on price sensitive information that has not already been disclosed to a relevant authority, but they may clarify previously released information. To assist in safeguarding against the inadvertent disclosure of price sensitive information, the MD / CEO and the Chairman will be informed of what the Company has previously disclosed to the market on any issue prior to briefing anyone outside the Company.

Subject to the policies of the Board and any committee that the Board may appoint from time to time, the Chairman is authorised to comment on:

- (a) annual and half yearly results at the time of the release of the annual or half yearly report;
- (b) resolutions to be put to General Meetings of the Company;
- (c) changes in Directors, any matter related to the composition of the Board or Board processes;
- (d) any speculation concerning Board meetings or the outcomes of Board meetings; and
- (e) other matters specifically related to shareholders.

Subject to the policies of the Board and any Board Committee that the Board may appoint from time to time, the MD / CEO is authorised to comment on:

- (a) the Company's future outlook;
- (b) any operational matter;

- (c) media queries concerning operational issues which reflect either positively or negatively on the Company;
- (d) proposed or actual legal actions; and
- (e) queries and general discussion concerning the Company's industry.

15.2 **External communications including analyst briefings and responses to shareholder questions**

The Company discloses its financial and operational results to the market each year, half year and quarter, as well as informing the market of other events throughout the year as they occur. Annual, half yearly and quarterly financial reports, media releases and AGM speeches are all lodged with the appropriate authority. As all financial information is disclosed, the Company will only comment on factual errors in information and underlying assumptions when commenting on market analysts' financial projections, rather than commenting on the projections themselves.

In addition to the above disclosures, the Company does conduct briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been previously formally disclosed to the market via an announcement. Slides and presentations used in briefings will also be released immediately prior to the briefing to the market.

After the conclusion of each briefing or discussion, if any price sensitive information was disclosed it will be announced immediately to the market.

15.3 **Hospitality and gifts**

While the Company recognises the need from time to time to give or accept customary business courtesies in accordance with ethical business practices, Directors and officers will not solicit such courtesies and will not accept gifts, services, benefits or hospitality that might influence, or appear to influence, the Directors' and officers' conduct in representing the Company.

16. **DELEGATION OF AUTHORITY**

Directors are responsible for any delegations of their responsibilities with regard to corporate operations. As such, they decide as a Board which Company matters are delegated to either specific Directors or management. In addition, they outline what controls are in place to oversee the operation of these delegated powers.

As a consequence, individual Directors have no individual authority to participate in the day-to-day management of the Company, including making any representations or agreements with member companies, suppliers, customers, employees or other parties or organisations.

The exception to this principle occurs where the Board explicitly delegates an authority to the Director individually. Additionally, it is recognised that all Executive Directors will carry significant delegated authority by virtue of their management position.

Similarly, Board Committees and their members require specific delegations from the Board as a whole and these will be contained in each Board Committee's respective charter / terms of reference (as the case may be).

16.1 **General power to delegate**

In general, the Board delegates all powers and authorities required to effectively and efficiently carry out the Company's business. Listed below are the exceptions to these

delegations, whereby the Board or appropriate Board Committee reserves certain of its powers.

16.2 **Decisions requiring Board approval**

In addition to those decisions requiring approval pursuant to the respective Board Committee charters, the following decisions must be referred to the Board for approval:

- (a) Directors acquiring or selling shares of the Company;
- (b) issuing shares of the Company;
- (c) acquiring, selling or otherwise disposing of property in excess of the amount set out in the Company's approval matrix;
- (d) founding, acquiring or selling subsidiaries of or any company within the Company, participating in other companies or dissolving or selling the Company's participation in other companies (including project joint ventures);
- (e) acquiring or selling patent rights, rights in registered trademarks, licences or other intellectual property rights of the Company;
- (f) founding, dissolving or relocating branch offices or other offices, plants and facilities;
- (g) starting new business activities, terminating existing business activities or initiating major changes to the field of the Company's business activities;
- (h) approving and / or altering the annual business plan (including financial planning) for the Company or any part of the Company;
- (i) taking or granting loans which exceed the amount set out in the Company's approval matrix (including, without limitation, the placing of credit orders, issuing of promissory notes or loans against IOUs);
- (j) granting securities of any type;
- (k) granting loans to Company officers or employees and taking over guarantees for the Company's officers and employees;
- (l) entering into agreements for recurring, voluntary, or additional social benefits, superannuation agreements or agreements for general wage and salary increases;
- (m) determining the total amount of bonuses and gratuities for Company officers and employees;
- (n) determining the appointment, termination, prolongation of employment or amendment to conditions of employment of members of the Board; and
- (o) granting or revoking a power of attorney or limited authority to sign and / or act on behalf of the Company.

17. **MONITORING**

Another essential function of the Board is to monitor the performance of the Company in implementing its strategy and overall operational performance.

18. **RISK AND COMPLIANCE MANAGEMENT**

The Board is charged with overseeing, reviewing and ensuring the integrity and effectiveness of the Company's risk and compliance systems.

The Board has an external independent auditor who is responsible for verifying the Company's compliance systems and reporting to the Board on those systems. The MD / CEO is responsible for implementing appropriate risk systems within the Company. The MD / CEO is required to assess risk management and associated internal compliance and control procedures and report to the Board on whether any risks are being managed ineffectively. Aspects of this process may be delegated.

The Company's risk management system will be based on Australian Standard AS/NZS4360:2004.

Risk management is considered a key governance and management process. It is not an exercise merely to ensure regulatory compliance. Therefore, the primary objectives of the risk management system at the Company will be to ensure:

- (a) all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately;
- (b) business decisions throughout the Company appropriately balance the risk and reward trade off;
- (c) regulatory compliance and integrity in reporting is achieved; and
- (d) senior management, the Board and investors understand the risk profile of the Company.

In line with these objectives, the risk management system covers:

- (a) operations risk;
- (b) financial reporting; and
- (c) compliance.

The MD / CEO reviews all major strategies and purchases for their impact on the risk facing the Company and makes appropriate recommendations to the Board. The Board annually reviews the effectiveness of this risk management framework and its operations to update its risk profile. This occurs in conjunction with the strategic planning process.

In addition, the Board undertakes a quarterly review of the following areas of risk that the Board has identified as potentially having an adverse impact on the Company's business:

- (a) operational risk;
- (b) environmental risk;
- (c) sustainability risk;
- (d) insurance risk;
- (e) litigation risk;
- (f) financial risk;
- (g) treasury and finance risks; and

- (h) compliance risk.

19. FINANCIAL REPORTING

19.1 Board responsibility for financial statements

Responsibility for the Company's financial statements rests with the Board. The Board will review the Company's financial statements and reports, focusing on (amongst other things) any changes in accounting policies and practices, significant adjustments and compliance with accounting policies and standards and legal requirements.

Before the Board approves any of the Company's financial statements, as specified by Recommendation 4.2 of the Recommendations, before the Board approves any of the Company's financial statements, the MD / CEO and CFO will provide a written declaration to the Board that:

- (a) in their opinion, the financial records of the Company have been properly maintained;
- (b) in their opinion, the financial statements of the Company comply with applicable accounting standards and present a true and fair view of the Company's financial position and performance; and
- (c) their opinion has been formed on the basis of a sound system of risk management and internal control, which is operating effectively.

19.2 Board role in respect of external auditor

As set out in rule 21.3 of the Constitution, the Board must cause the Company's financial report for each financial year to be audited and obtain an auditor's report. The eligibility, appointment, rotation, removal, remuneration, rights and duties of the auditor are regulated by Division 3 of Part 2M.3, Divisions 1 to 6 of Part 2M.4 and sections 1280, 1289, 1299B and 1299C of the Corporations Act.

The Board is responsible for the annual review of the appointment of the external auditor, their independence, the audit fee, and any matters regarding the external auditor's resignation or dismissal.

The Board will be responsible for:

- (a) reviewing the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor about that;
- (b) meeting with the external auditors at least twice in each financial period without management being present and at any other time the Board considers appropriate;
- (c) discussing with the external auditor before the audit commences the nature and scope of the audit, and to ensuring coordination between the external auditor and the company's accounting staff;
- (d) determining that no management restrictions are being placed upon external auditor;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (f) reviewing the external auditor's management letter and management's response;

- (g) ensuring adequate disclosure as may be required by law of the Committee's approval of all non-audit services provided by the external auditor;
- (h) ensuring that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company; and
- (i) receiving from the external auditor, or any other regulatory body, their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with the Corporations Act.

The Board may also appoint an internal audit function.

19.3 **Selection of external auditor**

Should there be a vacancy for the position of external auditor, the Company, through the Board, will conduct a formal process, either general or selective, to select which audit firm will fill the vacancy.

Audit firms are evaluated in accordance with criteria, as appropriate from time to time, and are not assessed solely on the basis of who is cheapest, but on a number of issues such as:

- (a) skills and knowledge of the team proposed to do the work;
- (b) quality of work;
- (c) independence of the audit firm;
- (d) lead signing partner and independent review partner rotation and succession planning policy;
- (e) value for money; and
- (f) ethical behaviour and fair dealing.

19.4 **Appointment and removal of external auditor**

The Board identifies and recommends an appropriate external audit partner for appointment by the Board and/or the Company in general meeting. The appointment is made in writing.

The appointment or removal of any external auditor will be made in accordance with the Constitution.

19.5 **Rotation of external audit partner**

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to the Company's accounts for a period of more than five consecutive years. Further, once rotated off the Company's accounts, no partner of the external auditor may assume any responsibility in relation to the Company's accounts for a period of three consecutive years. This requires succession planning on the part of the external auditor, a process in which the Company is involved.

19.6 **Attendance at annual general meetings**

The Company shall procure that the external auditor's lead engagement partner is present at annual general meetings to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

PART D – CONTINUING IMPROVEMENT

20. DIRECTOR PROTECTION

20.1 Information seeking protocol

Directors will adhere to the following protocol when seeking information:

- (a) approach the MD / CEO / Company Secretary to request the required data;
- (b) if the data is not forthcoming, approach the Chairman; and
- (c) if the information is still not forthcoming, write a letter to all Board members and the MD / CEO detailing the information that is required, purpose of the information, and who the Director intends to approach in order to obtain the information.

20.2 Access to professional advice

Each Director is expected to exercise considered and independent judgment on the matters before them. To discharge this expectation a Director may, from time to time, need to seek independent, expert opinion on matters before them. All Directors have the individual authority to commit the company to up to \$5,000 per annum in professional advice.

Prior to seeking professional advice a Director shall inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice. Where more than one Director is seeking advice about a single issue, the Chairman shall endeavour to coordinate the provision of the advice.

If the cost of professional advice is likely to exceed \$5,000, the Director shall seek authority from the Chairman prior to engaging an external expert. The Chairman has delegated authority to authorise expenditures up to \$10,000. If the Chairman withholds authorisation, the Director has the right to seek authority from the Board at the next Board meeting. If the cost of professional advice is likely to exceed \$10,000, then the Board's approval for the engagement of an external expert is required.

Advice so received should be received on behalf of the Board as a whole.

20.3 Access to Board papers

The Directors have the right to access Board papers in accordance with the Corporations Act. Such access shall be provided on a timely basis.

20.4 Insurance

The Company currently holds Directors' and Officers' Insurance Policies. The Company will ensure that all new Directors and Officers are included on the Company's insurance policies. The Company will also review the D&O Insurance Policies on at least an annual basis to ensure that they are sufficient.

21. BOARD AND SENIOR EXECUTIVE EVALUATION

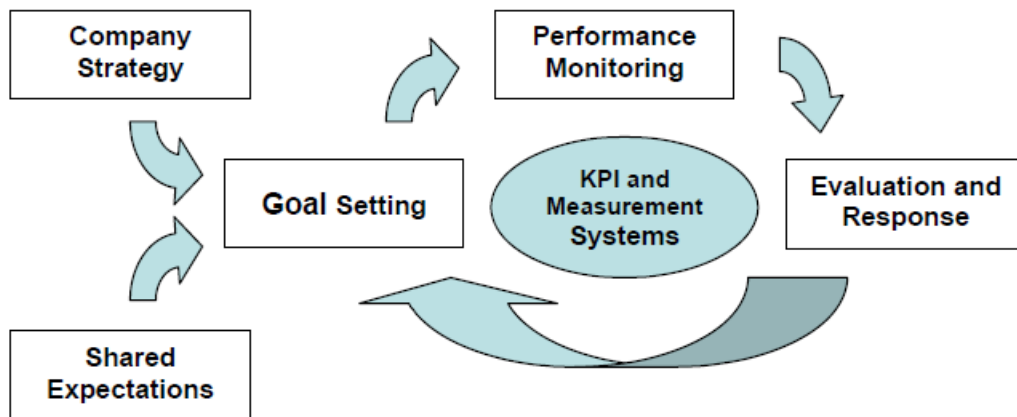
21.1 Evaluation process

The Board considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The common

process that guides evaluation at the Company is set out in Figure 1 below and ensures that those evaluated clearly understand performance expectations prior to the evaluation period.

A performance evaluation of the Board, its Committees, individual Directors and senior executives will be conducted on an annual basis.

Figure 1: Performance Evaluation Cycle



21.2 Board and individual Director evaluations

The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board will undertake an evaluation of Board and individual Director performance.

The review will include:

- (a) comparing the performance of the Board with the requirements of this Board Charter;
- (b) examination of the Board's interaction with management;
- (c) the nature of information provided to the Board by management; and
- (d) management's performance in assisting the Board to meet its objectives.

The review will be based on a number of goals for the Board and individual Directors that will be established. The goals are based on corporate requirements and any areas for improvement that may be identified. The Board will consider the outcome of such reviews in a dedicated meeting and develop a series of actions and goals to guide improvement.

The Chairman will provide each Director with confidential feedback on his or her performance. This feedback is used to develop a development plan for each Director.

The Board does not endorse the reappointment of a Director who is not satisfactorily performing the role.

21.3 Board Committee evaluations

Once established, the Board will set a number of expectations for its Board Committees. These expectations are to be derived after considering the results of previous reviews if any, an assessment of the Company's current and future needs, and a review of each

Board Committee's charter or purpose. As a result of a review, the Board may amend or revoke a Board Committee's charter.

The Board will review the performance of the Board Committees and itself against expectations. Based upon the review, individuals and groups will be provided with feedback on their performance. The results of the review will be a key input into the expectations set by the Board.

21.4 **Senior executive evaluations**

All senior executives will be subject to an annual performance evaluation based on specific performance targets. Each year, senior executives (including the MD / CEO) will establish a set of performance targets. These targets are aligned to overall business goals and the Company's requirements of the position. In the case of the MD / CEO, these targets are negotiated between the MD / CEO and the Board and approved by the whole Board.

An informal assessment of progress is carried out throughout the year. A full evaluation of the executive's performance against the agreed targets takes place annually. This will normally occur in conjunction with goal setting for the coming year. Since the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan. Performance pay components of executives' packages are dependent on the outcome of the evaluation.

22. **EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION**

22.1 **Executive remuneration policy**

The Board shall implement remuneration policies that fairly and responsibly reward executives, having regard to the performance of the Company, the performance of the executive and prevailing remuneration expectations in the market.

The Board reviews the appropriateness and relevance of the executive remuneration policy and other executive benefit programs on an ongoing basis, to ensure that remuneration is not excessive.

22.2 **Composition**

Remuneration packages for Executive Directors and other senior executives include an appropriate balance of fixed remuneration and performance-based remuneration (including base pay, incentive payments, equity awards, retirement rights, service contracts).

22.3 **Fixed remuneration**

Fixed remuneration is reasonable and fair, taking into account the Company's obligations at law and labour market conditions, and is relative to the scale of the Company's business. It reflects core performance requirements and expectations.

22.4 **Performance-based remuneration**

Performance-based remuneration should be linked to clearly specified performance targets. These targets should be aligned to the Company's short and long term performance objectives and should be appropriate to its circumstances, goals and risk appetite.

22.5 **Equity based remuneration**

The Company strives to have well-designed equity-based remuneration, including options or performance rights, which can be an effective form of remuneration, especially when

linked to hurdles that are aligned to the Company's longer-term performance objectives. The Company takes care in the design of equity-based remuneration schemes to ensure that they do not lead to "short-termism" on the part of senior executives or the taking of undue risks.

22.6 **Termination and other benefits**

Termination payments, if any, for Executive Directors and senior executives are agreed in advance. The agreement must clearly address what will happen in the case of early termination. There is no payment for removal for misconduct.

23. **NON-EXECUTIVE DIRECTOR REMUNERATION**

23.1 **Composition**

Non-Executive Directors are remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity).

23.2 **Fixed remuneration**

Levels of fixed remuneration for Non-Executive Directors reflect the time commitment and responsibilities of the role.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. The sum each Non-Executive Director is paid is determined by the Board from time to time. Additional fees can be paid for participation on Board Committees. However, the total fees paid to Non-Executive Directors, including fees paid for participation on Board Committees, are kept within the total amount approved by shareholders.

23.3 **Performance-based bonus**

Non-Executive Directors do not receive performance-based remuneration or bonuses as that may lead to bias in their decision-making and compromise their objectivity.

23.4 **Equity-based remuneration**

It is generally acceptable for Non-Executive Directors to receive securities as part of their remuneration to align their interests with the interests of other security holders. However, Non-Executive Directors generally should not receive options with performance hurdles attached or performance rights as part of their remuneration as it may lead to bias in their decision-making and compromise their objectivity.

The Non-Executive Directors cannot choose to receive shares in the Company as part of their remuneration instead of receiving cash and may not participate in equity schemes of the Company, such as option schemes, that are designed to encourage enhanced performance of the participant.

23.5 **Superannuation benefits**

Non-Executive Directors should not be provided with retirement benefits other than superannuation.

The Company's Non-Executive Directors are entitled to statutory superannuation.

24. **HEDGING UNVESTED ENTITLEMENTS**

Entitlements under the Company's equity based incentive plans are subject to the satisfaction of various performance hurdles to ensure alignment of employee rewards with Company longer-term performance objectives. Transactions that "hedge" or otherwise limit the economic risk of participating in the scheme may act counter to the aims of the scheme and blur the relationship between remuneration and performance.

Persons participating in an equity-based executive incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise limit the economic risk of participating in the scheme.

25. **DIRECTOR DEVELOPMENT**

The Company is committed to continuing development of its Directors and executives. In line with this commitment, there is an expectation that all Directors and the MD / CEO will commit to at least 2 days of professional development each year. The Board allocates an annual budget of \$5,000 per Director to encourage Directors to participate in training and development programs. Any Director wishing to undertake either specific directorial training or personal development courses is expected to approach the Chairman for approval of the proposed course. Development may be in both governance and governance processes or in the Company's industry.

26. **DIRECTOR INDUCTION**

New Directors will undergo an induction process in which they will be given a full briefing on the Company. This will include meeting with key executives, tours of the premises, an induction package and presentations. Information conveyed to the new Director will include:

- (a) details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- (b) formal policies on Director appointment as well as conduct and contribution expectations;
- (c) details of all relevant legal requirements;
- (d) access to a copy of the Board Charter;
- (e) guidelines on how the Board processes function;
- (f) details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- (g) background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- (h) an analysis of the company including:
 - (i) core competencies of the Company;
 - (ii) an industry background briefing;
 - (iii) a recent competitor analysis;
 - (iv) details of past financial performance;
 - (v) current financial structure; and

- (vi) any other important operating information;
- (i) a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget;
- (j) access to a copy of the Constitution; and
- (k) Directors Deed of Indemnity and Right of Access to Documents, if applicable.