



## **Corporate Governance Policies**

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## 1. BOARD CHARTER

The Board of Directors is responsible for guiding and monitoring RuralAus Investments Limited (“the Company”) on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The Board’s primary responsibility is to oversee the Company’s business activities and management for the benefit of the Company’s shareholders. The specific responsibilities of the Board include:

- appointment, evaluation, rewarding and if necessary the removal of the Chief Executive Officer, Chief Financial Officer (or equivalent) and the Company Secretary;
- in conjunction with management, development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to the Executive officers to allow them to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;
- monitoring the performance of the Executive Officers including the implementation of strategy, and ensuring appropriate resources are available;
- via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- overseeing the management of safety, occupational health and environmental matters;
- satisfying it that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- to ensure that appropriate internal and external audit arrangements are in place and operating effectively;
- having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
- reporting to shareholders.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of committees. To this end the Board has established the following committees:

- Audit Committee; and
- Remuneration Committee.

Each director has the right to seek independent professional advice on matters relating to his position as a director of the Company at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

In the event of a conflict of interest or where a potential conflict of interest may arise, involved directors will, unless the remaining directors resolve otherwise, withdraw from deliberations concerning the matter.

In accordance with the constitution of the Company, directors must offer themselves for re-election by shareholders at least every 3 years. The Board does not specify a maximum term for which a director may hold office.

The responsibility for the day-to-day operation and administration of the company is delegated by the Board to the Chief Executive Officer and Chief Financial Officer. The Board ensures that the management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive officers.

The roles of Chairman and Chief Executive Officer are not combined. The Chief Executive Officer and executive officers are accountable to the Board for all authority delegated to them.

Whilst there is a clear division between the responsibilities of the Board and management, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including;

- Board approval and monitoring of a strategic plan;
- approval of annual and, if required, semi-annual budgets and monitoring actual performance against budget; and
- procedures are in place to incorporate a report or presentation to each Board meeting by sales, marketing, financial and operations management.

This policy is reviewed annually.

## **2. PROCEDURES FOR SELECTION AND APPOINTMENT OF DIRECTORS**

The Board shall ensure that, collectively, it has the appropriate range and expertise to properly fulfill its responsibilities, including:

- accounting and finance;
- business development and risk management;
- industry and public company experience; and
- an appropriate ratio and skills matrix for non-executive directors.

In the circumstances where the Board believes there is a need to appoint another director, whether due to retirement of a director or growth or complexity of the Company, certain procedures will be followed, including the following:

- determine the skills and experience appropriate for the appointee having regard to those of the existing directors and any other likely changes to the Board;
- agree the process and timetable for seeking such a person, which may involve an external search firm;
- a short list of candidates will be prepared for the Board's consideration and interview. The selection process will encourage visitation to the Company's operating sites and an understanding of management information systems. Candidates will be assessed on the following basis:
  - competencies and qualifications;
  - independence;
  - other directorships;
  - time availability;
  - contribution to the overall balance of the composition of the Board; and
  - depth of understanding of the role of and legal obligations, of a director.

The Board currently comprises four persons and is considered to have an appropriate balance of skills and experience.

The Chairman regularly reviews the composition of the Board to ensure that the board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

If an invitation to become a director is accepted, the Board will appoint the new director during the year and that person will then stand for re-election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for re-election.

When appointed to the Board, a new director will receive an induction appropriate to their experience.

This policy is reviewed annually.

### **3. CODE OF CONDUCT**

This code of conduct aims to encourage the appropriate standards of conduct and behavior of the directors, officers, employees and contractors (collectively called the employees) of the Company.

Employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

#### **GENERAL PRINCIPLES**

- Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole.
- Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment.
- Employees must recognise that their primary responsibility is to the Company's shareholders as a whole.
- Employees must not take advantage of their position for personal gain, or the gain of their associates.
- Directors have an obligation to be independent in their judgments.
- Confidential information received by employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company.
- Employees have an obligation, to comply with the spirit as well as the letter, of the law and with the principles of this code.

The Company views breaches of this code as serious misconduct. Employees who have become aware of any breaches of this code must report the matter immediately to their manager or the Company Secretary. The manager or Company Secretary has the responsibility to report the breach to the appropriate senior management and to advise the relevant employee of the outcome and actions implemented.

Any employee who in good faith, reports a breach or a suspected breach will not be subject to any retaliation or recrimination for making that report.

Employees who breach the policies outlined in the Code may be subject to disciplinary action, including in the case of serious breaches, dismissal.

#### **DIRECTORS**

The following additional comments apply to directors of the Company and aim to ensure directors have a clear understanding of the Company's expectations of their conduct.

### ***Fiduciary duties***

All directors have a fiduciary relationship with the shareholders of the Company. A director occupies a unique position of trust with shareholders, which makes it unlawful for directors to improperly use their position to gain advantage for themselves.

### ***Duties of directors***

Each director must endeavor to ensure that the Company is properly managed so as to protect and enhance the interests of all shareholders. To this end, directors need to devote sufficient time and effort to understand the Company's operations.

Directors should ensure that shareholders and the ASX are informed of all material matters which require disclosure and avoid or fully disclose conflicts of interest.

### ***Conflict of interest***

At all times a director must be able to act in the interests of the Company. Where the interests of associates, the personal interest of a director or a director's family may conflict with those of the Company, then the director must immediately disclose such conflict and either:

- eliminate the conflict, or
- abstain from participation in any discussion or decision-making process in relation to the subject matter of the conflict, unless the remaining directors resolve otherwise.

### ***Insider trading***

Information concerning the activities or proposed activities of the Company, which is not public and which could materially affect the Company's share price must not be used for any purpose other than valid Company requirements.

### ***Chief Executive Officer and Chief Financial Officer***

It is the responsibility of both the Chief Executive Officer and the Chief Financial Officer to provide written assurances to the Board that in all material respects:

- the financial reports submitted to the Board represent a true and fair view of the Company's financial condition and operational results; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively.

## **STAKEHOLDERS**

The Board recognises that the primary stakeholders in the Company are its shareholders. Other legitimate stakeholders in the Company include employees, customers and the general community.

## **OBJECTIVES**

The Company's primary objective is to create shareholder wealth through capital growth and dividends.

The Company is committed to conducting all its operations in a manner which:

- protects the health and safety of all employees, contractors and community members;
- recognises values and rewards the individual contribution of each employee;
- achieves a balance between economic development, maintenance of the environment and social responsibility;
- maintains good relationships with suppliers and the local community; and
- is honest, lawful and moral

All employees (including directors) are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

This policy is reviewed annually.

#### **4. SECURITIES TRADING POLICY**

The Company's share trading policy regulates dealings by directors, officers and employees in securities issued by the Company. In certain circumstances this policy also applies to contractors and consultants.

This policy imposes basic trading restrictions on all employees of the Company and its related companies who possess inside information and additional trading restrictions on:

- all directors;
- all executive officers
- any other employees of the Company considered appropriate by the Chief Executive Officer and Company Secretary from time to time.

##### ***Trading Policy***

Under the Company's Securities Trading Policy, an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Company Secretary to do so and a Director must first obtain approval of the Chairman.

Only in exceptional circumstances will approval be forthcoming outside of the period, which is four weeks after:

- One day following the announcement of the half yearly and full year results as the case may be;
- One day following the holding of the Annual General Meeting;
- One day after any other form of earnings forecast update is given to the market.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

#### **GENERAL RESTRICTIONS WHEN IN POSSESSION OF INSIDE INFORMATION**

##### ***Insider trading laws***

Insider trading laws cover all directors and employees of the Company. If a person is in possession of any unpublished price-sensitive information, it is a criminal offence to take advantage for personal gain or that of an associate.

Price-sensitive information is any information which if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the Company's securities, or would be likely to influence a person in deciding whether to buy or sell the Company's securities.

***Confidential information***

Employees and directors also have a duty of confidentiality to the Company. A person must not reveal any confidential information concerning the Company; use that information in any way which may cause loss to the Company, or use that information to gain an advantage for themselves or anyone else.

**ADDITIONAL TRADING RESTRICTIONS FOR DIRECTORS AND SOME EMPLOYEES**

***Notification of trading***

Directors must notify the Company Secretary of any dealings in the Company's securities immediately if any such dealings occur.

***Breaches of policy***

Strict compliance with this policy is a condition of employment.

***General***

The requirements imposed by this policy are separate from and additional to the legal prohibitions in the Corporations Act on insider trading.

This policy is reviewed annually.

## 5. AUDIT COMMITTEE CHARTER

### ***Scope***

The Audit Committee is a committee of the Board of the Company with the specific powers delegated under this charter. The charter sets out the Audit Committee's function, composition, mode of operation, authority and responsibilities.

### ***Function***

The primary function of the Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Company. In addition, the Committee will:

- oversee, co-ordinate and appraise the quality of the audits conducted by both the Company's external and internal auditors;
- determine the independence and effectiveness of the external and internal auditors;
- maintain open lines of communications among the Board, the internal and external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;
- serve as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public; and
- review the adequacy of the reporting and accounting controls of the Company.

The Committee is not required to personally conduct accounting reviews or audits and is entitled to rely on employees of the company or professional advisers where appropriate.

### ***Membership and composition***

The Board shall appoint the members of the Committee and review the composition of the committee at least annually. The Committee will comprise to the extent that circumstances allow of:

- at least three members;
- non-executive directors whom are independent;
- an independent chairman appointed by the Board and who is not the Chairman of the Board; and
- where possible, members with sufficient financial skills and experience relevant to the committee's functions.

All board members are currently members of the Audit Committee.

In the event that the current circumstances do not allow the Company to comply with all of the above principles the Board will seek to satisfy as many of the above principles as possible.

### ***Meetings***

The Committee shall:

- meet as frequently as required but at least two times per year; and
- the minimum quorum for a committee meetings is two members.

The secretary of the Committee is the Company Secretary;

### ***Authority***

In performing its functions in accordance with any applicable law, the Committee;

- has unrestricted access to the external auditors, the internal audit firm, senior management and employees of the Company;
- has unrestricted access to information and reports relevant to fulfilling its responsibilities;
- may seek independent external advice on matters brought before the Committee or in relation to the functions and responsibilities of the Committee; and
- shall have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities or when requested by the Board.

### ***Responsibilities***

The Committee must promote an environment within the Company, which is consistent with best practice financial reporting. In particular, the Committee must:

- perform an independent review of financial information prepared by management for external reporting. This will include conducting reviews of the annual report, directors' report, annual financial statements, half yearly financial statements and any other externally reported financial information required by law;
- monitor the integrity and effectiveness of financial reporting processes;
- review and assess the external audit arrangements;
- appoint, review and assess the internal audit arrangements and consider significant internal audit findings and management's responses and related actions;
- review and ensure implementation of legislated major accounting changes;
- ensure that appropriate policies are established and adequate systems are in place to identify and disclose related-party transactions and assess the propriety of any related party transactions;
- ensure that the Board is kept regularly informed on general progress and activities, and is promptly briefed on all significant matters.

### ***External audit arrangements***

The Committee shall report to the Board on external audit arrangements, including:

- making recommendations to the Board on the appointment, re-appointment, replacement and remuneration of the external audit firm;
- review the terms of engagement for the external auditor;
- review the scope of the external audit with the external auditor including identified risk areas;
- monitor the performance of the external audit including assessment of the quality and rigor of the audit, quality of the service provided and the audit firm's internal quality control procedures;
- review and assess non-audit services to be provided by the external auditor, with particular consideration to the potential to impair or appear to impair the external auditors' independence;
- review and monitor management's responsiveness to the external audit findings; and
- on a periodic basis, meet with the external auditor without the presence of management.

### ***Appointment of external auditor***

Should a change in auditor be considered necessary, a tendering process will be undertaken. The Committee will identify the attributes required of an auditor and will ensure the selection process is sufficiently robust so as to ensure selection of an appropriate auditor.

The Committee will ensure that prospective auditors have been provided with a sufficiently detailed understanding of the Company, its operations, its key personnel and any other information, including group structures and financial statements, that will have a direct bearing on each firm's ability to develop an appropriate proposal and fee estimate.

The Committee and the Board will consider the appointment in conjunction with senior management.

In selecting an external auditor, particular consideration will be given to determining whether the fee quoted is sufficient for the work required, that the work is to be undertaken by people with an appropriate level of seniority, skill and knowledge and whether the work proposed is sufficient to meet the Company's needs and expectations.

The appointment of a new external audit firm will be placed before shareholders for ratification at the next annual general meeting after the appointment is made.

### ***Rotation and succession planning***

The Committee will discuss the auditor the provisions the audit firm has in place for rotation of the lead engagement partner and the independent review partner. The Company shall require that the lead engagement partner be rotated at least every 5 years and the review partner be rotated at least every 3 years.

**Management sign-off procedure**

The Audit Committee will ensure that the Chief Executive Officer and Chief Financial Officer prepare a written statement to the Board certifying that the Company's annual financial report and half yearly financial report present a true and fair view, in all material respects, of the financial condition of the Company and its operational performance and are in accordance with relevant accounting standards.

The statement is to be presented to the Board prior to the approval and sign-off of the respective annual and half yearly financial reports.

This policy is reviewed every two years.

## 6. CONTINUOUS DISCLOSURE POLICY

This policy outlines the disclosure obligations of the Company as required under the Corporations Act 2001 and the ASX Listing Rules. The policy is designed to ensure that procedures are in place so that the stock market in which the Company's securities are listed is properly informed of matters that may have a material impact on the price at which the securities are traded.

The Company is committed to:

- Complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;
- Preventing the selective or inadvertent disclosure of material price sensitive information;
- Ensuring shareholders and the market are provided with full and timely information about the Company's activities;
- Ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

### ***Disclosure officer***

The Chief Executive Officer and the Company Secretary have been appointed as the Company's disclosure officers responsible for implementing and administering this policy. The disclosure officers are responsible for all communication with ASX and for making decisions on what should be disclosed publicly under this policy.

In the absence of the Chief Executive Officer and Chief Financial Officer, any matters regarding disclosure issues are to be referred to the Chairman.

### ***Material information***

In accordance with the ASX Listing Rules, the company must immediately notify the market (via an announcement to the ASX) of any information concerning the Company which a reasonable person with experience in the industry in which the Company operates would expect to have a material effect on the price or value of the Company's securities.

Information need not be disclosed if:

- a reasonable person would not expect the information to be disclosed; and
- the information is confidential and the ASX has not formed the view that the information has ceased to be confidential; and
- one or more of the following applies:
  - it would breach the law to disclosed the information;
  - the information concerns an incomplete proposal or negotiation
  - the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - the information is generated for internal management purposes; or
  - the information is a trade secret.

The Company is also required to disclose information if asked to do so by the ASX, to correct or prevent a false market.

Note that the Company is deemed to have become aware of information where a director or executive officer has, or ought to have, come into possession of the information in the course of the performance of his duties as a director or executive officer.

The Corporations Act defines a material effect on price or value as being where a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the securities.

### ***Review of communications for disclosure***

The disclosure officers will review all communications to the market to ensure that they are full and accurate and comply with the Company's obligations. Such communications may include:

- Media releases;
- analyst, investor or other presentations;
- prospectuses; and
- other corporate publications

Examples of information or events that are likely to require disclosure include:

- Media releases;
- analyst, investor or other presentations;
- prospectuses; and
- other corporate publications.

Examples of information or events that are likely to require disclosure include:

- financial performance and material changes in financial performance or projected financial performance;
- changes in relation to directors and senior executives, including changes in the terms of employment of the Chief Executive Officer and the independence of directors;
- mergers, acquisitions, divestments, joint ventures or material changes in assets;
- significant developments in new projects or ventures;
- material changes to the Company's security position;
- material information affecting joint venture partners, customers or non-wholly owned subsidiary companies;
- media or market speculation;
- analyst or media reports based on inaccurate or out of date information;
- industry issues which have, or which may have, a material impact on the Company; and
- decisions on significant issues affecting the Company by regulatory authorities.

Where there is any doubt as to whether an issue might materially affect the price or value of the company's securities, the disclosure officers will assess

the circumstances with appropriate senior executives and if necessary, seek external professional advice.

All presentations to analysts and investors will be released to the ASX and then included on the Company's web-site.

### ***Authorised spokespersons***

The Company's authorised spokesperson is the Chairman. In appropriate circumstances, the Chairman may from time to time authorise other spokespersons on particular issues and those within their area of expertise.

No other persons are permitted to comment publicly on matters confidential to the Company. Any information which is not public must be treated by employees and consultants as confidential until publicly released.

### ***Reporting of disclosable information***

Once the requirement to disclose information has been determined, the disclosure officers are the only persons authorised to release that information to the ASX.

Information to be disclosed must be lodged immediately with the ASX. Any such information must not be released to the general public until the Company has received formal confirmation of lodgment by the ASX.

### ***Market speculation and rumours***

As a guiding principle, the Company has a "no comment" policy on market speculation and rumours, which must be observed by all employees. However, the Company will comply with any request by the ASX to comment upon a market report or rumour.

### ***Trading halts***

The Company may, in exceptional circumstances, request a trading halt to maintain orderly trading in the Company's securities and to manage any disclosure issues.

No employee of the Company is authorised to seek a trading halt except for the disclosure officers.

### ***Meetings and group briefings with investors and analysts***

The Chief Executive Officer is primarily responsible for the Company's relationship with major shareholders, institutional investors and analysts and shall be the primary contacts for those parties.

Any written materials containing new price-sensitive information to be used in briefing media, institutional investors and analysts are lodged with ASX prior to the briefing commencing. Upon confirmation of receipt by ASX, the briefing material is posted to the Company's web-site. Briefing materials may also include information that may not strictly be required under continuous disclosure requirements.

The Company will not disclose price sensitive information in any meeting with an investor or stockbroking analyst before formally disclosing it to the market. The Company considers that one-on-one discussions and meetings with investors and stockbroking analysts are an important part of pro-active investor relations. However, the Company will only discuss previously disclosed information in such meetings.

***Periods prior to release of financial results***

During the time between the end of the financial year or half year and the actual results release, the Company will not discuss financial performance, broker estimates and forecasts and, particularly, any pre-result analysis with stockbroking analysts, investors or the media, unless the information to be discussed has already been disclosed to the ASX.

***Web-based communication***

The Company's web-site features discrete sections for shareholders and investors to ensure that such information can be accessed by interested parties. Such information will include:

- annual reports and results announcements;
- all other company announcements made to the ASX;
- speeches and support material given at investor conferences or presentations;
- company profile and company contact details; and
- all written information provided to investors or stockbroking analysts.

Announcements lodged with the ASX will be placed on the Company's web-site as soon as practicable after ASX confirms receipt of that information.

Shareholders may be offered the option of receiving information via e-mail instead of post

***Analysts reports and forecasts***

Stockbroking analysts frequently prepare reports on listed companies that typically detail their opinion on strategies, performance and financial forecasts. To avoid inadvertent disclosure of information that may affect the Company's value or share price. The Company's comments on analyst reports will be restricted to:

- information the Company has issued publicly; and
- other information this is in the public domain.

Given the level of price sensitivity to earnings projections, the Company will only make comment to correct factual errors in relation to information publicly issued by other parties and Company statements.

This policy is reviewed annually.

## 7. SHAREHOLDERS COMMUNICATION POLICY

The Company recognizes the value of providing current and relevant information to its shareholders.

The Chief Executive Officer and Company Secretary have the primary responsibility for communication with shareholders.

Information is communicated to shareholders through:

- continuous disclosure to relevant stock markets of all material information;
- periodic disclosure through the annual report (or concise annual report), half year financial report and quarterly reporting of exploration, production and corporate activities;
- notices of meetings and explanatory material;
- the annual general meeting;
- periodic newsletters or letters from the Chairman or Chief Executive Officer; and
- the Company's web-site at [www.ruralaus.com.au](http://www.ruralaus.com.au)

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

### ***Electronic communication and web-site***

The Company believes that communicating with shareholders by electronic means, particularly through its web-site, is an efficient way of distributing information in a timely and convenient manner.

The Company's web-site may include the following pages, which contain relevant information for shareholders:

- reports section, which may contain copies of annual, half yearly and quarterly reports;
- news section, which may contain newsletters, ASX announcements, media clippings and power point presentations, press releases and broker research reports published on the Company.

The Company's web-site will be updated with material released to the ASX as soon as practicable after confirmation of release by the ASX.

All web-site information will be continuously reviewed and updated to ensure that information is current, or appropriately dated and archived.

The Company places the full text of notices of meeting and explanatory material on the web-site.

***Written communication and annual report***

The annual report of the Company is the major written communication by the Company to shareholders each year.

***Annual general meeting***

The Company recognizes the rights of shareholders and encourages the effective exercise of those rights through the following means:

- notice of meetings are distributed to shareholders in accordance with the provisions of the Corporations Act;
- notices of meeting and other meeting material are drafted in concise and clear language;
- shareholders are encouraged to use their attendance at meetings to ask questions on any relevant matter, with time being specifically set aside for shareholder questions;
- notices of meetings encourage participation in voting on proposed resolutions by lodgment of proxies, if shareholders are unable to attend the meeting;
- it is general practice for a presentation on the Company's activities to be made to shareholders at each annual general meeting; and
- it is both the Company's policy and the policy of the Company's auditor for the lead engagement partner to be present at the annual general meeting and to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report.

This policy is reviewed annually.

## **8. RISK MANAGEMENT AND INTERNAL COMPLIANCE AND CONTROL**

Management determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve the goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The Board oversees an ongoing assessment of the effectiveness of risk management and internal compliance and control.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management.

The risk profile of the Company contains both financial and non-financial factors.

To mitigate these risks, the Company has in place a broad range of risk management policies and procedures including competent management in all disciplines, a comprehensive management information system, an experienced Board, regular Board meetings, six monthly financial and internal audits, rigorous appraisal of new marketing and sales strategies, professional advisers familiar with the Company and an internal audit function.

The business activities of the Company are subject to risks and there are many factors which may impact on the future performance of the Company. These risks are both specific to the Company and also relate to the general business and economic climate. Some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, but some are outside the control of the Company and cannot be mitigated. The principal risks include, but are not limited to, those detailed below;

**Economic Factors** – Changes in economic and business conditions or government policies in Australia or internationally may impact the fundamentals upon which the projected growth of the Company's target markets or its costs structure and profitability will rely. Adverse changes in such things as the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), consumer spending, employment rates, amongst other, are outside the control of the Company and may result in material adverse impacts on the business or its operating results.

**Regulatory Risk** – Changes in relevant taxes, legal and administrative regimes and government policies both in Australia and overseas may adversely affect the financial performance of the Company. Any change to the current rate of company income tax in jurisdictions where the Company operates will impact on shareholder returns. Any change to the current rates of income tax applying to individuals and trusts will similarly impact on Shareholder returns.

**Dependence on Key Personnel** – The Company is reliant on a number of key personnel employed by the Company. Loss of such personnel may have a materially adverse impact on the performance of the Company. While there can be no assurance given as the continued availability of such key personnel, the Company has put in place employment contracts with senior executives in an attempt to mitigate this risk.

**Environmental Risks** – The Company's operations are subject to State and Federal laws and regulations regarding environmental matters. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. Any negative environmental issues that may arise may have material impact on Company's performance.

Management is responsible for the ongoing management of risk with standing instructions to appraise the Board of changing circumstances within the Company.

This policy is reviewed every two years.

## 9. PERFORMANCE EVALUATION PRACTICES

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies and the aggregate amount of fees approved by shareholders. The Board also review the appropriate criteria for Board membership collectively.

The Board has established formal processes to review its own performance and the committees of the Board, annually.

### ***Board***

A process has been established to review and evaluate the performance of the Board. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing its performance over the previous 12 months, including comparison with others, and examining ways in which the Board can better perform its duties. The review will incorporate the performance of the Board.

The annual review includes consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and which may include a Board self-assessment checklist to be completed by each director. The Board may also use an independent adviser to assist in the review.

### ***Committees***

Similar procedures to those for the Board review are applied to evaluate the performance of each of the Board committees.

An assessment will be made of the performance of each committee against each charter and areas identified where improvements can be made.

***Senior executives***

The Board is responsible for assessing the performance of the key executives within the Company which report directly to them. This is to be performed through a formal process involving a formal meeting with each senior executive.

The basis of evaluation of senior executives will be on agreed performance measures.

This policy is reviewed annually.

## **10. REMUNERATION COMMITTEE CHARTER**

### ***Functions and responsibilities***

The Remuneration Committee is a committee of the Board with its principle functions being:

- to review and recommend to the Board the overall strategies and compensation arrangements in relation to executive remuneration policies;
- to review the effectiveness of any performance incentive plans; and
- to review and make recommendations to the Board in respect of all equity based remuneration plans.

The Committee will review and recommend to the Board for approval, the Company's general approach to compensation and will oversee the development and implementation of the compensation regime.

### ***Composition***

The Committee shall comprise to the extent that circumstances allow, of at least two members of the Board. Directors serving on the Remuneration Committee should have diverse, complementary backgrounds. The Chairman of the Committee shall be an independent director. In the event that the current circumstances do not allow the Company to comply with all of the above composition principles. The Board will seek to satisfy as many of the above principles as possible.

The Company Secretary will be the secretary of the Committee and will act as the principal liaison between executive management and the committee on remuneration matters.

### ***Meetings***

The Committee shall meet as frequently as required, but at not less than one time per year.

The Committee shall have access to professional advice.

Two members of the Committee shall comprise a quorum. Where only two members are present, the unanimous vote of the two members will constitute an act of the Committee. Where the committee comprises more than two committee members, the vote of a majority of the members present will constitute an act of the Committee.

### ***Remuneration policy***

This policy governs the operations of the Remuneration Committee. The committee shall review and reassess the policy at least annually and obtain the approval of the Board.

### ***General director remuneration***

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The directors shall set individual Board fees within the limit approved by shareholders.

Shareholders must also approve the framework for any equity based compensation schemes for directors.

### ***Executive remuneration.***

The Company's remuneration policy for the executive officers and employees is designed to promote superior performance and long term commitment to the Company. Executives and employees receive a base remuneration and may be entitled to performance based remuneration which is determined on an annual basis.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interest and to retain appropriately qualified executive talent for the benefit of the company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria if appropriate; and
- executives should be rewarded for both financial and non-financial performance.

The total remuneration of the executive officers may consist of any of the following:

- salary – a fixed sum payable monthly in cash;
- cash at risk component – executive officers are eligible to participate in a cash bonus plan if any is deemed appropriate;
- share and option at risk component – the executive officers may participate in share and option schemes (if any) generally being made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. The Board however, considers it appropriate to retain the flexibility to issue shares and options to executive officers outside of approved option scheme in exceptional circumstances; and

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. The maximum aggregate remuneration approved for directors is currently \$250,000.

All directors are entitled to have their indemnity insurance paid by the Company.

Performance incentives are offered to executive directors and senior management of the Company if deemed appropriate. The amount available is determined by the Board on an annual basis.

This policy is reviewed annually.

## 11. **NOMINATION COMMITTEE CHARTER – NOT ADOPTED AS A POLICY OF THE COMPANY**

**Currently the Board has determined that the Company does not require the formation of a Nomination Committee.**

### ***Functions and responsibilities***

The Committee may invite executive management team members or other individuals, including external third parties to attend meetings of the Committee, as they consider appropriate.

### ***Access***

Members of the committee have rights of access to the books and records of the company to enable them to discharge their duties as Committee members, except where the Board determines that such access would be adverse to the Company's interests.

The Committee may consult independent experts where the committee considers this necessary to carry out its duties and responsibilities. Any costs incurred as a result of the Committee consulting an independent expert will be borne by the company.

### ***Responsibilities***

The Committee shall periodically review and consider the structure and balance of the Board and make recommendations regarding appointments, retirements and terms of office of directors. In particular, the Committee is to:

- identify and recommend to the Board candidates for the Board after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after assessment of how the candidates can contribute to the strategic direction of the Company;
- approve and review induction procedures for new appointees of the Board to ensure that they can effectively discharge their responsibilities;
- assess and consider the time required to be committed by a non-executive director to properly fulfill their duty to the company and advise the Board.
- consider and recommend to the Board candidates for election or re-election to the Board at each annual shareholders' meeting
- review directorships in other public companies held by or offered to directors and senior executives of the Company;
- review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board;
- make recommendations to the Board on the appropriate size and composition of the Board; and
- make recommendations to the Board on the terms and conditions of appointment to, and removal and retirement from, the Board.

This policy is reviewed annually.