

# **BOARD & GOVERNANCE CHARTER**

This document sets out the principles of governance of Lodestone Exploration Limited (Lodestone) and the conduct of the Board. It is supported by the following specific code, policies and charter.

Code of Conduct  
Continuous Disclosure Policy  
Securities Trading Policy  
Risk Management Policy  
Audit Committee Charter

## **Commitment**

The Company and the Board are committed to the achieving the highest standards of integrity and governance in all aspects of Lodestone's activities. The principle obligation of Lodestone is to its shareholders through increasing shareholder wealth, and this is sought to be met while commensurately recognising the interests of employees, customers, creditors, the communities in which Lodestone operates, and other stakeholders.

## **Role of the Board**

The key responsibilities of the Board are to:

- Review, advance and approve Lodestone's:
  - objectives and strategies,
  - exploration and development programmes, and
  - capital management.
- Monitor Lodestone's business activities, financial performance, and corporate governance.
- Oversee Lodestone's financial position.
- Report to shareholders.
- Ensure effective control systems are in place.
- Appoint, and appraise, the Executive director.
- Oversee the senior management team in terms of:
  - performance evaluation;
  - succession planning; and
  - remuneration.
- Establish a culture of high ethical, environmental, health and safety standards.
- Ensure the Board is effective.

## **Directors' independence**

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
- within the last three years, not have been employed in an executive capacity by the company or been a director after ceasing to hold any such employment
- within the last three years not have been a principal of a material professional advisor or a material consultant to the company, or an employee materially associated with the service provided
- not be a material supplier or customer of the company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- must not have material contractual relationship with the company other than as a director
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of the individual directors' net worth is considered material for these purposes.

## **Role of Management**

The management of the business of Lodestone is conducted by the Executive director, as appointed by the Board, and by those other officers and employees to whom the management function is properly designated by the Executive director.

The Board sets authorities for the Executive director which are reviewed and updated as required.

A position description for the Executive director, and any other executive, is being developed and will be agreed between the Board and Executive director, along with periodic statements of the objectives of the Executive director.

## **Board Membership**

The following principles have been adopted for the membership of the Board:

- The Board has a majority of Non-Executive directors.
- The Chairman of Lodestone is a Non-Executive director.
- If the Chairman is a substantial shareholder of Lodestone, another Non-Executive director, who is not a substantial shareholder, is appointed as Lead Independent Director.
  - The Lead Independent Director takes over Chairmanship of the Board in any matter in which the Chairman may be perceived to have a conflict of interest with shareholders generally, and acts as the primary point of contact for any person who may have a concern in this regard.
- As required by law, the term of each Director (except the Executive director) is limited to three years, with one-third of the Board being subject to re-election by shareholders at each Annual General Meeting.

## **Board Nomination**

Nominations for the Board are considered by the Board as a whole. The Board aims to ensure that it always has an appropriate diversity of qualifications, experience and expertise, consistent with the objectives of Lodestone.

- Suitable candidates for the Board are identified for appointment having regard to the skills desired and skills represented.
- A formal letter of appointment is issued to all Directors.
- Annually the Chairman will conduct a performance review of the Board focused on:
  - the overall effectiveness and competencies of the Board,
  - the availability and contribution of each individual Director,
  - effectiveness of Directors' training and orientation, and
  - succession planning.

## **Board Procedures**

- Each Director is expected to declare any actual or potential conflict of interest.
- Where conflicts may arise, affected Directors absent themselves from Board deliberation and decisions.
- Non-Executive directors regularly meet in private.
- Where reasonably necessary, Directors may obtain independent advice with prior notification to the Chairman.
- Directors are expected to be familiar with Lodestone's strategy, operations, financing and risks; Lodestone must arrange suitable orientation and training.
- Directors may access continuing education to ensure their skills and knowledge are up to date.

## **Board Procedures (continued)**

- Directors have a right to expect all information relevant to Lodestone's business and performance to be presented at Board meetings, and can access further information on request.
- Directors must maintain confidentiality of information learned by virtue of their position as Director.
- Non-Executive directors must confirm they are able to devote such time as is necessary to carry out their duties on the Board.
- Directors advise the Chairman prior to accepting new appointments.

## **Company Secretary**

In recognition of the key role played by the Company Secretary:

- The appointment of the Company Secretary must be approved by the Board.
- All Directors have direct access to the Company Secretary.
- The Company Secretary is expected to monitor Lodestone's corporate governance procedures, and advise of possible improvements.

## **Standards and Code of Conduct**

The Board's objective is to foster a culture of high ethical and compliance standards. To this end:

- Directors must act honestly, in good faith, with high standards of care, diligence and enquiry, and in the best interests of Lodestone as a whole.
- All Directors and employees must abide by Lodestone's Code of Conduct.
- Directors and senior management must not use their position to improperly trade in Lodestone's securities, with all transactions being in accordance with Lodestone's Securities Trading Policy.

## **Financial Standards**

Lodestone is committed to high standards of financial integrity and reporting.

- Financial reports are required to present a true and fair view, in all material respects, of Lodestone's financial condition and operating results.
- A sound and effective system of risk management and internal control is required, consistent with Lodestone's Risk Management Policy.
- An Audit Committee has been appointed to assist the Board in its consideration of financial policy and reporting.

## **Remuneration Standards**

Lodestone's overriding remuneration principle is to provide a fair and sufficient incentive to attract, motivate and retain a high quality Board and management team, based upon rewarding performance which enhances shareholder value.

- The remuneration of the senior management team may include the following components:
  - fixed salary and benefits,
  - a short term incentive based on individual performance, and
  - a long term incentive derived from consideration of the performance of both Lodestone and the individual.
- Since listing in March 2003 the remuneration of Non-Executive directors consists solely of fixed fees.
  - Recognising the small capital base of Lodestone, and the high risk inherent in exploration and development, consideration may be given from time to time to equity based incentives for Non-Executive directors, consistent with increasing shareholder wealth.
- Lodestone's Annual Report discloses all components of the remuneration of Directors, including advice of any discretionary incentive payments, and the remuneration of executives in accordance with prevailing applicable rules.

## **Market Disclosure**

In accordance with its obligations under relevant legislation:

- Lodestone keeps the market fully informed of information which may have a material effect on the price of Lodestone's shares.
- Disclosures are to be:
  - timely;
  - factual;
  - comprehensive; and
  - understandable
- Lodestone's Continuous Disclosure Policy sets the standards and procedures for information disclosure.

## **Shareholder Communications**

Lodestone aims to ensure that shareholders are well informed of all major developments affecting Lodestone. This programme includes:

- Including in Lodestone's website:
  - Annual, half yearly and quarterly reports and accounts
  - Notices of general meetings
  - All media and stock exchange releases
  - Key policies
  - Committee charters
  - General Lodestone profile
- Facilitating the full participation by shareholders at Lodestone's Annual General Meeting.
- Requiring the attendance of Lodestone's external auditor at the Annual General Meeting.