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## **SOLIMAR ENERGY LIMITED**

# **CHARTER OF THE BOARD OF DIRECTORS**

**July 2008**

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### **1. Role**

- 1.1 The Board of Directors ("Board") is responsible for the overall operation and stewardship of Solimar Energy Limited ("**the Company**") and, in particular, has responsibility as set out in this Charter.
- 1.2 The role of the Board is to guide and monitor both the Company's business activities and management. The Board will also ensure that the objectives and activities are aligned with the expectations and risks identified.
- 1.3 The Board also recognises the responsibilities the Company has to its employees and, where appropriate, other stakeholders along with the wider community and environment in which the Company operates.

### **2. Powers**

- 2.1 In addition to matters required by law to be approved by the Board, powers reserved to the Board include:
  - (a) appointing, and removing, the Chairman, Managing Director, Executive Director, Chief Financial Officer and Company Secretary and to determine their remuneration and conditions of service, including any financial incentives;
  - (b) authorising the issue of any shares, options, equity instruments or other securities;
  - (c) authorising expenditures deemed significant related to the Company's financial condition, and, in particular, expenditure in excess of discretionary limits, delegated at any time to the Chairman;

- (d) reviewing:
- the appointment, and, where appropriate, the removal, of executives who report directly to the Chairman and Managing Director;
  - the level of remuneration and conditions of service including any financial incentives of executives;
  - the acquisition, establishment, disposal or cessation of any significant leases, assets or business of the Company;
  - the annual and half year financial reports, the financial content of quarterly reports and any other information for disclosure to the market that contains financial projections or statements as to future financial performance;
  - borrowings, other than in the ordinary course of business, and the granting of security over, or interests in, the undertaking of the Company or any of its assets; and
- (e) appointing additional Directors who would come before shareholders for election at the next Annual General Meeting.

### **3. Responsibilities**

#### 3.1 The Chairman's responsibilities include:

- (a) leadership and effective performance of the Board;
- (b) setting the agenda for Board meetings, in conjunction with the Company Secretary;
- (c) ensuring that Directors have adequate opportunity to contribute, and that their relationship with management is open, cordial and conducive to productive cooperation;

#### 3.2 The Board's responsibilities include:

- (a) monitoring and assessing the performance of the company and the Board itself;
- (b) overseeing the risk management framework along with the compliance and codes of conduct governing ethical business behaviour;
- (c) reviewing procedures and practices employed in relation to health, safety, and the environment and to assess their adequacy;
- (d) satisfying itself, on a reasonable basis, that the financial statements and other financial disclosures of the company are both fair and accurate;
- (e) approving and monitoring the Company's financial budget, including the cost of each drilling program;
- (f) satisfying itself, on a reasonable basis, that appropriate internal and external

audit arrangements are in place and operating effectively;

- (g) liaising with the Company's external auditors;
- (h) monitoring continuous disclosure policy and procedures;
- (i) approving the text of any public statement or release which contains or relates to financial forecasts or material which is significant as regards Company policy or strategy;
- (j) reviewing the outcomes of the Company's decisions and strategies and ensure that valuable lessons are identified and absorbed into the framework for making future decisions;
- (k) approving and monitoring major capital expenditure (eg drilling and development), capital management, and acquisitions and divestitures (eg leases)
- (l) convening and attend general meetings of the Company's shareholders;
- (m) assessing and approving the Company's response to proposed transactions which would affect shareholders' positions and rights as shareholders, and where relevant to make recommendations to shareholders;
- (n) maintaining the Corporate Governance statements and policies, for example the Securities Trading Policy, Continuous Disclosure Policy and Code of Conduct, and ensuring ethical behaviour and Company's compliance with the Corporate Governance statements and policies; and
- (o) reviewing and ratifying the Company's system of internal compliance and control, legal compliance, to determine the integrity and effectiveness of those systems.

3.3 The Board may delegate responsibility for discharge of its responsibilities to Committees of the Board, in accordance with Section 7 below.

3.4 The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. Particular responsibilities include:

- (a) ensuring that the Board agenda is developed in a timely and effective manner for review and approval by the Chairman;
- (b) coordinating, organising and attending meetings of the Board and shareholders, and ensuring that correct procedures are followed;
- (d) drafting and maintaining minutes of Board and shareholder meetings;
- (e) in conjunction with the Chairman and other senior management, carrying out the instructions of the Board and giving practical effect to the Board's decisions;
- (f) meeting statutory reporting requirements in accordance with relevant legislation;

- (g) administering the Company's performance of its obligations under the deeds between the Company and Directors, referred to in Section 5.11; and
- (h) working with the Chairman to establish and deliver best practice corporate governance.

#### **4. Board Composition**

- 4.1 The majority of Board members should be non-executive Directors determined by the Board to be independent of judgement. In making its determination as to a Director's "independence", or otherwise, the Board will apply the test of and criteria for independence expressed in section 4.2. As well as their other attributes the several members of the Board should possess amongst them a range of qualifications, experience, skills and expertise considered of benefit to the Company.
- 4.2 An Independent Director is one who is free from any interest and any business or other relationship which could or be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company. Independent Directors are non-executive Directors, and generally, those who are not:
  - (a) a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
  - (b) retained as a professional adviser, either personally or through his/her firm;
  - (c) a significant customer and/or supplier of the Company; or
  - (d) a substantial shareholder of, or has a significant financial or personal interest in, a significant customer and/or supplier of the Company.
- 4.3 Board composition should be reviewed annually by the Board to ensure that the non-executive Directors between them bring the range of skills, knowledge and experience necessary to direct the Company going forward.
- 4.4 A former executive Director is not eligible for appointment as a non-executive Director until a reasonable time, as determined by the Board, after ceasing to be an executive Director.

#### **5. Board/Director Processes**

- 5.1 Non-executive Directors collectively should:
  - (a) challenge and contribute to the development of strategy;
  - (b) scrutinise the performance of management against agreed objectives, and monitor the reporting of performance;
  - (c) review and where appropriate, challenge proposals presented by management;
  - (d) request additional information where they consider that the information supplied by management is inadequate to support informed decision-making; and

- (e) take reasonable and proper steps to satisfy themselves that financial information released to the markets and shareholders is accurate, and that there are adequate and proper financial controls and systems of risk management.

5.2 Non-executive Directors individually should:

- (a) inform themselves to a reasonable extent about the subject matter of all decisions they are called upon to make as Directors of the Company;
- (b) keep their own performance under review, and also ensure they have an ongoing capacity to meet their obligations as a Director of the Company.

5.3 Before appointment, non-executive Directors must disclose to the Chairman the nature and extent of their other appointments and activities and demonstrate that they understand what is expected of them and confirm that they are willing to make the necessary commitments, and will have available the time required, to discharge their responsibilities.

5.4 Prior to the acceptance of any relevant external appointments, non-executive Directors should obtain the Chairman's consent. Relevant appointments include any appointment with potential to:

- (a) cause a conflict of interest for the Director;
- (b) affect the Director's independence;
- (c) have consequences on the reputation of the Company or its subsidiaries;
- (d) place demands on the Director's time that could hinder their ability to attend Board meetings and discharge their responsibilities to the Company.

5.5 On appointment, non-executive Directors should be informed in writing what is expected of them as regards committing time to the Company's activities, and should be given a briefing pack of materials setting out pertinent information on the Company.

5.6 Non-executive Directors are expected to maintain the skills required to discharge their obligations to the Company. For this purpose they should undertake continuing professional education to the extent necessary.

5.7 A Director must inform the Board or the Chairman, as soon as the Director is aware of any conflict or potential conflict of interest which that Director may have in relation to any particular item of business. Unless decided otherwise by the other members of the Board, the Director should be absent from discussion and decision on that matter. Directors must comply strictly with Corporations Act requirements and Board policy for the avoidance of conflicts.

5.8 A record of Board submissions and papers, and of material presented to the Board, is maintained and held by the Company Secretary together with minutes of meetings, and is accessible to Directors.

- 5.9 Directors who request Company records and other information must notify the Chairman and Company Secretary beforehand. Subject to any agreements entered into between the Directors and the Company and any applicable law, the Chairman has the right of veto on any request.
- 5.10 The Board may have access to independent advisers where it sees need.
- 5.11 All Directors will have access to publicly available information and corporate information over the period of their tenure.
- 5.12 Each Director must enter into a confidentiality agreement with the Company and, subject to any agreements entered into between the Directors and the Company and any applicable law, must comply with the obligations laid out in the agreement. This includes an obligation not to use outside the scope of their duties any corporate information of the Company while serving on the Board and for two years after their retirement.
- 5.13 Deeds should be entered into between Directors severally and the Company, recording arrangements on indemnification, insurance and access to company documents and independent legal advice, at Company expense.

## **6. Meetings**

- 6.1 The Board should hold scheduled meetings at least once per month. The Board acting unanimously may at any time, and the Company Secretary must on the request of the Chairman convene an unscheduled meeting of the Board. Urgent decisions, where it is not practical to convene a meeting, may be made by resolution circulated in writing, in accordance with the Company's Constitution.
- 6.2 Board and Committee papers should be provided to Directors in advance of scheduled meetings to permit adequate preparation.
- 6.3 Board agendas should be settled by the Chairman and the Company Secretary.
- 6.4 Meetings should be so convened that, wherever possible, Directors are able to attend and participate in person. Where personal attendance by some or all Directors is not possible, meetings should be convened and conducted so as to facilitate participation by audio-conference and/or videoconference.

## **7. Board Committees**

- 7.1 The Board may from time to time establish standing and ad hoc Committees to assist it in carrying out its responsibilities. For each Committee the Board should adopt a charter setting out its role, composition, powers, responsibilities, structure, resourcing and administration, and any other relevant matters. The appointment of a chairman and of the members of any Board committee will be made by the Board.
- 7.2 In particular, at the appropriate time, the Board will aim to establish and maintain, as a standing committee:
- (a) an Audit Committee.

- 7.3 The Audit Committee should consist of:
- (a) only non-executive Directors;
  - (b) a majority of independent Directors;
  - (c) an independent Chairman who is not Chairman of the Board; and
  - (d) at least three members.
- 7.4 Any decision-making power delegated to a Committee must be specified by the charter of the particular Committee. All policy decisions should be matters reserved for the Board.
- 7.5 The agenda for a Committee meeting should be settled by its Chairman, with the Company Secretary, sufficiently in advance of scheduled meetings.
- 7.6 A Committee should report to the Board at least annually on all matters relevant to the discharge by the Committee of its role and responsibilities during the period covered by the report. Where appropriate a Committee should report to the Board on specific issues brought before it at the next available Board meeting. Except in cases which involve conflict of interest, the minutes of all committee meetings should be made available to all Directors as soon as practicable.

## **8. Board Performance**

- 8.1 The Board will aim to undertake an annual performance evaluation that:
- (a) reviews the performance of the Board against the requirements of this Charter;
  - (b) reviews the performance of the Board Committees against the requirements of their respective Charters;
  - (c) reviews this Charter, the Committee Charters and the procedures of the Board with a view to continuous improvement.
- 8.2 The Board will determine the scope of the performance evaluation and how it is carried out, in order to achieve the objectives in Section 8.1.

## **9. Other**

- 9.1 The Board will perform such other functions as prescribed by law.

In performing the responsibilities set out above, the Board should act at all times in a manner designed to create and continue to build sustainable value for the Company's shareholders and in accordance with the duties and obligations imposed on them by the Company's Constitution and by law.