

CORPORATE GOVERNANCE POLICIES

BOARD CHARTER

BOARD OF DIRECTORS

The Board of Directors of Red 5 Limited (Company) is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The overriding distinction between the role of the Board and the interaction with management is seen as “management formulates, the Board ratifies; management implements, the Board monitors”.

The Board has the following overall responsibilities:

- establishing the direction and strategies for the Company and monitoring the implementation of those strategies; and
- monitoring compliance with regulatory requirements and setting the tone for ethical behaviour and standards.

The ultimate control, and monitoring, of the business of the Company is vested in the Board. The responsibility for the day-to-day operation and administration of the Company is delegated by the Board to the Managing Director and senior management. The Board’s primary responsibility is to oversee the Company’s business activities and management for the benefit of shareholders. The specific responsibilities of the Board include:

- appointment, evaluation, rewarding and if necessary the removal of the Managing Director;
- establishing appropriate levels of delegation to the Managing Director to allow him or her to manage the Company’s operations effectively;
- appointment and review of directors;
- determine whether the composition, remuneration and conditions of service for senior executives are appropriate;
- appointment and removal of the Company Secretary;
- establish and monitor succession planning;
- development of corporate objectives and strategy and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- monitoring actual performance against planned performance expectations;
- review of areas of significant business risk and ensuring arrangements are in place to adequately manage those risks;
- overseeing the management of safety and occupational health, environmental issues and community development;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the relevant period;

- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- to ensure that appropriate external audit arrangements are in place and operating effectively;
- reviewing and monitoring the Company's compliance with its corporate policies and protocols consistent with the ASX Corporate Governance Council best practice corporate governance principles;
- 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
- statutory reporting to shareholders.

BOARD COMMITTEES

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
- Remuneration and Nomination committee
- Health, Safety, Environment and Community committee

The charter of each Board committee setting out the matters detailing its composition and responsibilities are separate documents which are approved by the Board.

The Board retains responsibility for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework. Given the current limited size of the Company's operations, the directors believe that there are no additional efficiencies or benefits in forming a separate risk committee of the Board.

CONFLICTS OF INTEREST

As a general principle, each director must bring an enquiring, open and independent mind to Board meetings free of any actual or possible conflict of interest.

If a director believes that they may have a conflict of interest or duty in relation to a particular matter, the director should immediately consult with the Chairman, or if the director is the Chairman, with another non-executive director.

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 and must abstain from on the motion relating to the matter.

BOARD COMPOSITION

In accordance with the constitution of the Company, directors (other than the Managing Director) 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.

Board composition and independence

Where possible, the Board should comprise a majority of independent non-executive directors. The Board assesses the independence of each director in light of interests disclosed by them and the relationships which may affect independent status. A non-executive director (i.e. not a member of management) is considered to be independent if he or she:

- is not a substantial shareholder of the Company;
- within the last 3 years has not been employed in an executive capacity by the Company;

- within the last 3 years has not been a material professional adviser or consultant to the Company;
- is not a material supplier or customer of the Company;
- has no material contractual relationship with the Company other than as a director of the Company;
- has close family ties with any person who falls within any of the categories described above; or

Consideration is given to the length of service of a director although an extended tenure by itself is not considered to compromise a director's independence.

Financial materiality thresholds used in the assessment of independence (both from the perspective of the Company and the director) are as follows:

- payments made by the Company to the director or any of his associated entities for the provision of goods and/or services does not exceed 5% of the annual gross expenditure of the Company; or
- payments received by the director for the provision of goods and/or services to the Company does not exceed 25% of the annual income or business turnover of the director or his associated entities.

Appointment, review and removal of directors

The role of the Board on matters relating to the appointment of directors includes:

- identifying and nominating candidates for directorship;
- establishing criteria for Board membership, including desired qualifications, skills, experience and competencies;
- reviewing current and anticipated Board membership requirements, including:
 - establishing and overseeing processes for the review of the performance of individual directors and the Board as a whole;
 - assessing the extent to which the required skills are represented on the Board and the necessary and desirable competencies of Board members; and
 - assessing the time commitments of non-executive directors and whether candidates (having regard to other commitments) can meet these commitments, and
- consideration of the results of the performance assessment of individual directors and determining its endorsement of the directors to stand for re-election at the next annual general meeting.

The roles of Chairman and Managing Director are not combined. The Managing Director is accountable to the Board for all authority delegated to the position.

Independent advice

Each director has the right to seek independent professional advice on matters relating to their position as a director of the Company (including but not limited to legal, accounting and financial advice) at the Company's expense, subject to the prior approval of the Chairman, which shall not be unreasonably withheld.

COMPANY SECRETARY

The Board is responsible for the appointment and removal of the Company Secretary. The Company Secretary is responsible to the Board, through the Chairman, on matters relating to the proper functioning of the Board. The Company Secretary also has a direct reporting line to the Managing Director on executive management matters.

DIVISION OF AUTHORITY – CHAIRMAN AND MANAGING DIRECTOR

The Company recognises that it is important that the Chairman and the Managing Director have distinct defined roles with clear functional lines. The division of responsibilities between the Chairman and the Managing Director is determined by the Board from time to time.

Functions delegated to Chairman

The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all directors in relation to issues arising at Board meetings. The Chairman's responsibilities include to:

- chair Board meetings;
- establish the agenda for Board meetings, in consultation with the Managing Director and Company Secretary;
- chair meetings of shareholders, including the annual general meeting of the Company;
- be the primary spokesperson for the Company at the annual general meeting;
- be the primary channel of communication and point of contact between the Board and the Managing Director;
- ensure the annual process of Board evaluation is conducted.

Functions delegated to Managing Director

The following functions have been delegated by the Board to the Managing Director and senior executives:

- formulating and reviewing, with the Board, the strategy for the Company and developing actions and plans to implement the strategy. Reporting to the Board on progress against those plans.
- appointing a management team and negotiating terms and conditions of employment and where appropriate, obtaining approval from the Remuneration Committee. Considering succession, providing strong leadership to the management team, ensuring employees are properly instructed to achieve a safe workplace and ensuring compliance with laws and Company policies and that a high level of ethical behaviour is expected.
- reporting to the Board on various matters, including all matters requiring review or approval, significant changes to the risk profile, certification (with the Chief Financial Officer) to the Board on the fairness of the financial statements and that the certification is founded on a sound system of risk management and internal control, reporting on the performance of the Company's activities and briefing of directors on the Company and its business environment.
- acting within delegated authority levels for capital expenditure, sale of assets, appointment and termination of executives.
- all other matters necessary for the day-to-day management of the Company and not reserved for the Board.