

# CORPORATE GOVERNANCE CHARTER

## 1. OBJECTIVE

This statement outlines the main Corporate Governance practices that are in place throughout the financial year, which comply with the ASX Corporate Governance Council ("ASX CGC") recommendations unless otherwise stated. In addition, the Company has posted copies of its corporate governance practices to its website [www.catalpareources.com.au](http://www.catalpareources.com.au) in accordance with ASX CGC recommendations.

## 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's primary role is the protection and enhancement of long term shareholder value. The Board is responsible for the overall Corporate Governance of the Company as well as monitoring the strategic direction, establishing goals for management and monitoring the progress against these goals.

### BOARD PROCESSES

To assist in the execution of its responsibilities, the Board has adopted a formal charter (ASX CGC Recommendation 1.1), formal letters of appointment for the Board and senior executives and formal job descriptions for senior executives. It has also established a number of Board Committees including a Nomination and Remuneration Committee, an Audit Committee and a Risk Management Committee (ASX CGC Recommendation 2.4 and 4.2). These committees have written mandates and operating procedures, which are reviewed on a regular basis (ASX CGC Recommendation 2.6 and 4.4). The effectiveness of each committee is also monitored. The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

A copy of the Board's charter is located on the Company's website ([www.catalpareources.com.au](http://www.catalpareources.com.au)).

The full Board currently holds approximately 12 scheduled meetings per year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that arise.

The agenda for meetings is prepared by the Managing Director and approved by the Chairman. The Lead Director and General Manager Operations (if applicable) provide input as required. Standing items include the General Manager Operations Report (if applicable), financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

### APPOINTMENT OF DIRECTORS

The composition of the Board is reviewed on an annual basis by the Nomination and Remuneration Committee to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nomination and Remuneration Committee make recommendations to the Board who will then consider the matter and appoint the most suitable candidate, who must stand for re-election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment which is forwarded to the non-executive director on appointment together with a copy of the Directors' Manual.

The appointment letter and the Directors' Manual cover the following matters:

- details of the induction process
- remuneration and expenses
- superannuation arrangements
- the term of the appointment, subject to shareholder approval
- the expectation of the Board in relation to attendance and preparation for all Board and/or Committee meetings
- powers and duties of directors
- dealing in Company shares
- any special duties or arrangements attaching to the position
- circumstances in which an office of director becomes vacant
- indemnity and insurance arrangements
- confidentiality and rights of access to corporate information
- a copy of the Constitution
- the procedures for dealing with conflicts of interest
- the availability of independent professional advice

## CONFLICT OF INTEREST

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist directors to disclose potential conflicts of interest. Each director has the right of access to all relevant Company information and to the Company's executives. Each director also has the right to seek independent professional advice at the Company's expense.

However, the prior approval of the Chairman is required for such advice, which is not unreasonably withheld. A copy of advice received by the director is made available to all other members of the Board.

## 2. STRUCTURE OF THE BOARD

### 2.1 COMPOSITION AND INDEPENDENCE OF THE BOARD OF DIRECTORS

The names of the directors of the Company in office at the date of this Statement are as follows:

John Rowe (Non Executive Chairman)

Bruce McFadzean (Managing Director & CEO)

Murray Pollock (Non Executive Director)

Nigel Johnson (Non-Executive Director)

Barry Sullivan (Non-Executive Director)

Refer to the Directors' Report for details of each directors' qualifications and their attendance at Board meetings.

The composition of the Board is determined using the following principles:

- Under the Constitution the Board must comprise between three and nine directors. For the purpose of efficient working, the preferred number of directors in office at any time is between 4 and 6 although a number outside this range may be acceptable from time to time for particular reasons.
- The composition of the Board should be at least 50% independent non-executive directors. This must comply with ASX CGC Recommendation 2.1 which states that the majority of the Board should be independent directors.

The Board has accepted the following definition of an independent director:

An independent director is a director who

- is not a member of management (a non-executive director);
- is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly with a substantial shareholder of the Company; capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;
- is 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.

The Company's definition of an independent director does not include a specified length of service as a director as recommended by the ASX CGC. The independence of each director is monitored by the Nomination and Remuneration Committee on a regular basis and is ascertained by satisfying the criteria above and the ability of the director to bring an independent mind to their duties as a director.

- The Board should comprise Directors with a broad range of skills and experience.
- Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view of the Board's deliberations.
- Persons nominated as Executive Directors shall be expected to be of sufficient stature and security of employment to express independent views on any matter.
- The Board should have enough directors to serve on various committees of the Board without overburdening the directors or making it difficult for them to fully discharge their responsibilities.

## 2.2 INDEPENDENT CHAIRMAN

Mr John Rowe is an independent Non-Executive Chairman. This complies with ASX CGC Recommendation 2.2.

## 2.3 EXECUTIVE CHAIRMAN

The Company does not have a Chairman who is also the Chief Executive Officer. This complies with ASX CGC Recommendation 2.3. Mr John Rowe is the Non-Executive Chairman and Mr Bruce McFadzean is the Managing Director and CEO.

## 2.4 NOMINATION AND REMUNERATION COMMITTEE

The role of the Nomination and Remuneration Committee is to review and provide recommendations to the Board on the composition of the Board within the criteria outlined in the Board Charter. In carrying out its role, the Nomination and Remuneration Committee is to be cognisant of regulations regarding appointments and resignations of Board members, particularly the relevant provisions of the Australian Securities Exchange Ltd Listing Rules and the Corporations Act.

The Nomination and Remuneration Committee has 5 members, 3 of which are considered independent. The members of the Nomination and Remuneration Committee are:-

John Rowe (Chairman)

Bruce McFadzean (Managing Director and CEO)

Murray Pollock (Non-Executive)

Nigel Johnson (Non-Executive)

Barry Sullivan (Non-Executive)

The Company notes ASX CGC Recommendation 2.4 suggests that the Committee should be a minimum of 3 members with the majority independent.

This complies with the ASX CGC Recommendation 2.4.

Refer to the Directors' Report for each Committee member's qualifications and attendance at meetings.

The specific responsibilities of the Nomination and Remuneration Committee are:-

- Assessment of the necessary and desirable competencies of Board Members;
- On an annual basis, reviewing the current Board composition to ensure it consists of members with appropriate qualifications and a broad range of experience that support the Company's wider objectives and strategies;
- Ensuring that potential Board members have the ability to commit the appropriate amount of time to the Company;
- Monitoring and reviewing the workload of individual Board members, and providing recommendations to the Board for any exertion allowance to be paid to Board members;
- Ensuring that there is a Succession Plan to maintain an appropriate balance of skills, experience and expertise on the Board;
- Evaluation of the Board's performance; and
- Making recommendations for the appointment and removal of directors.

The Nomination and Remuneration Committee meets annually unless otherwise required.

Refer to the Directors' Report for each Committee member's qualifications and attendance at meetings.

Further details of the Nomination and Remuneration Committee's Charter, are available on the Company's website.

## 3. ETHICAL AND RESPONSIBLE DECISION-MAKING

### 3.1 CODE OF CONDUCT

The Company has a Board approved Code of Conduct which sets out the standards in accordance with which each director of the Company is expected to act. Further, the Company has adopted an induction manual which sets out the standards in accordance with which each manager and employee of the Company is expected to act. The requirement to comply with these ethical standards is communicated to all directors, managers and employees. (ASX CGC Recommendation 3.1)

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

A copy of the Board Code of Conduct is available on the Company's website.

## 3.2 DIRECTORS DEALINGS IN COMPANY SHARES

The Constitution permits Directors to acquire shares in the Company, however, all Directors and senior executives need to comply with the Australian Securities Exchange Ltd. Listing Rules, the Corporations Act and the Company's "Directors and Senior Executives Dealing in Securities" policy which sets out the requirements of Directors and senior executives in respect of the purchase and sale of Company securities. In summary, the policy provides that Directors are not to deal in the shares of the Company during the period of one month prior to the release of annual or half-yearly results, within the period of one month prior to the issue of a prospectus, or at any other time agreed by the Board. Directors must notify the Company Secretary immediately on acquisition or disposal of a relevant interest in any security in the Company and are required to notify the ASX of any dealing. (ASX CGC Recommendation 3.2)

A copy of the Directors and Senior Executives Dealing in Securities policy is available on the Company's website.

## 4. INTEGRITY IN FINANCIAL REPORTING

### 4.1 AUDIT COMMITTEE

The role of the Audit Committee is documented in a Charter, which is approved by the Board of Directors. (ASX CGC Recommendation 4.4) In accordance with this Charter, all members of the Committee must be non-executive directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee are:

Nigel Johnson (Non-Executive) – Chairman of the Audit Committee

John Rowe (Non-Executive Chairman)

Murray Pollock (Non-Executive)

Barry Sullivan (Non-Executive)

The Company notes ASX CGC Recommendation 4.3 suggests that the Committee should be a minimum of 3 members.

Refer to the Directors' Report for each Committee member's qualifications and attendance at meetings.

The Managing Director, Company Secretary, Chief Financial Officer, General Manager Operations (if applicable) and external auditors are invitees of the committee, but do not vote.

The Managing Director, General Manager Operations (if applicable) and Chief Financial Officer declare in writing to the Board that the Company's financial report presents a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards. (ASX CGC Recommendation 4.1)

The responsibilities of the Audit Committee include:

- recommending to the Board the appointment and remuneration of the external auditors.
- reviewing the performance of the external auditors;
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence;
- ensuring regular rotation of audit partner.
- reviewing the financial report and other information distributed externally as required;
- reviewing audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- liaising with the external auditors and ensuring that the annual and half year statutory audits are conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring financial risk management programs aimed at ensuring risks are identified, assessed and appropriately managed;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Australian Securities Exchange Listing Rules and all other regulatory requirements;
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Securities Exchange and financial institutions;
- reviewing reports on any major defalcations, frauds and thefts from the Company and ensuring that the Company's Fraud risk management action plan is adhered to;
- improving the quality of the accounting function;
- reviewing the declarations from management on compliance with statutory responsibilities and policies; and

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- When recommending the selection and appointment of the external auditors to the Board, the Audit Committee consider the following:-
  - quality of the work performed;
  - the auditor's standing in the industry;
  - knowledge of the resource industry and resource related issues;
  - relationship with the audit partner; and
  - cost of the work performed

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:-

#### Audit Planning

- to discuss the external audit plan;
- to discuss any significant issues that may be foreseen;
- to discuss the impact of any proposed changes in accounting policies on the financial statements;
- to review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year ;
- to review the fees proposed for the audit work to be performed.

#### Prior to announcement of results

- to review the pro forma half-yearly and pro forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit;
- to make the necessary recommendation to the Board for the approval of these documents.

#### Half-year and annual reporting

- to review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- to review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

As required;

To organise, review and report on any special reviews or investigations deemed necessary by the Board.

The Audit Committee also conducts an annual review of its processes and Charter to ensure that it has carried out its functions in an effective manner.

A copy of the Audit Committee Charter is available on the Company's website.

## 5. TIMELY AND BALANCED DISCLOSURE

The Board has adopted a Continuous Disclosure Policy to assist the Company to comply with the spirit as well as the letter of the continuous disclosure laws. (ASX CGC Recommendation 5.1)

A copy of the Continuous Disclosure Policy is available on the Company's website.

## 6. THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. (ASX CGC Recommendation 6.1) Information is communicated to shareholders as follows:

An annual report is distributed to all those shareholders who elect to receive it. The Board ensures that the report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act.

The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act and is lodged with the Australian Securities and Investments Commission and the Australian Securities Exchange Ltd. The financial report is sent to any shareholder that requests it.

Proposed major changes in the Company that may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Company's external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions. (ASX CGC Recommendation 6.2), aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. A copy of the Constitution of the Company is available to any shareholder who requests it.

Catalpa Resources Limited maintains an investor relations website at [www.catalparesources.com.au](http://www.catalparesources.com.au) which contains the latest ASX releases, board policies and procedures and financial information.

## 7. BUSINESS RISK

### 7.1 RISK OVERSIGHT AND MANAGEMENT

The Audit and Risk Management Committees advise the Board and reports on the status of financial and operating business risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. (ASX CGC Recommendation 7.1)

- Comprehensive practices are established such that:-
- the Board has adopted a Matters Retained by the Board policy which requires Board approval for such things as:-
- unbudgeted capital expenditure and revenue commitments above a certain size;
- sale of property, plant and equipment above a certain size;
- material changes to the terms of any borrowing facility, agreement etc. above a certain size;
- financial exposures are controlled including the use of derivatives;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed.

## 7.2 INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under five headings:

•Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The group reports its financial results on a half-yearly basis.

The Managing Director, General Manager Operations (if applicable) and Chief Financial Officer declare in writing to the Board that the financial reports are based on a sound system of risk management and internal compliance and control. (ASX CGC Recommendation 7.2.)

•Continuous Disclosure - Procedures are also in place to ensure that price sensitive information is reported to the Australian Securities Exchange (ASX) in accordance with continuous disclosure requirements of the Corporations Act and ASX Listing Rules. The Company Secretary has been appointed as the person responsible for communication with the ASX. This person is also responsible for ensuring compliance with continuous disclosure requirements and overseeing and co-ordinating information disclosed to the ASX.

•Quality and integrity of personnel – the group's policies are detailed in an approved Induction Handbook. Formal appraisals are conducted at least annually for all employees. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirement or resignation occurs.

•Functional speciality reporting – the Company has identified a number of key areas which are subject to regular reporting to the Board such as Safety, Environmental and Legal matters.

•Investment appraisal – the Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

## 8. BOARD PERFORMANCE

### 8.1 REVIEW OF BOARD PERFORMANCE (ASX CGC RECOMMENDATION 8.1)

The Board has a process whereby the performance of all Directors is reviewed on an annual basis. Committee performance is to be reviewed by the Board annually.

All Directors are expected to voluntarily review their membership of the Board from time to time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme; together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

A Director shall be expected to resign if requested to do so by the Nomination and Remuneration Committee in the exercise of its duties and responsibilities to the Board.

### 8.2 DIRECTOR EDUCATION

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit the Company's facilities and meet with management to gain a better understanding of business operations.

Directors and key executives have access to continuing education to update and enhance their skills and knowledge.

## REVIEW OF SENIOR EXECUTIVE PERFORMANCE

Each senior executive is assessed on an annual basis. The senior executive participates in a performance development review conducted by the senior executive's direct report and is designed to assess the performance level of each senior executive, the achievement of objectives since the last review and the development of objectives for the future. If the senior executive is entitled to participate in the Company's short term incentive plan, the senior executive is further assessed on agreed key performance indicators based on corporate, group and individual objectives. (ASX CGC Recommendation 8.1)

## NOMINATION AND REMUNERATION COMMITTEE

The role of the Nomination and Remuneration Committee is documented in a Charter, which is approved by the Board of Directors. The role of the Committee is to review and recommend to the Board:

- remuneration policies and packages and terms of employment contracts in relation to certain senior executives and directors,
- proposals for share plans and incentive programs; and
- policies on retirement and termination payments for directors.

Remuneration levels are competitively set to attract qualified and experienced directors and are reviewed on an annual basis. The Nomination and Remuneration Committee obtains periodic independent advice on the appropriateness of remuneration levels.

Refer to the Directors' Report for details of the remuneration made available to the directors and senior executive officers.

A copy of the Nomination and Remuneration Committee Charter is available on the Company's website.