

# Merlin Diamonds Limited

## Corporate Governance Policies



### Board Charter

#### 1. Introduction

- 1.1 The Board has the following overall responsibilities:
- (a) charting the direction, strategies and financial objectives for the Company and monitoring the implementation of those policies, strategies and financial objectives; and
  - (b) monitoring compliance with regulatory requirements and ethical standards.
- 1.2 Within the context of the overall responsibilities set out in section 1.1, and in addition to matters expressly required by law to be approved by the Board, the Board has the following specific responsibilities:
- (a) to oversee the Company's control and accountability systems;
  - (b) to appoint the Managing Director and the Company Secretary and determine the terms and conditions of their appointment (including remuneration), and to set criteria for, and evaluate at least annually, their performance;
  - (c) to monitor and assess management's performance in carrying out any strategies, meeting any objectives and observing any budgets approved by the Board, and to ensure that sufficient resources are available to management for those purposes;
  - (d) to ratify the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent);
  - (e) to approve and monitor financial and other reporting;
  - (f) to monitor the Company's continuous disclosure policy and procedures, and in particular to ensure the Company's Continuous Market Disclosure Policy is complied with, and adequately reviewed and updated;
  - (g) to ensure that appropriate internal (if required) and external audit arrangements are in place and operating effectively;
  - (h) to issue any shares or other securities of the Company;
  - (i) to approve commitments in excess of discretionary limits that it may have from time to time delegated to the Managing Director and senior management;
  - (j) to approve each of the following:
    - (i) the strategic plan and performance objectives, at least annually;
    - (ii) the budget, at least annually;
    - (iii) the remuneration and conditions of service including financial incentives for any Executive Directors, at least annually;
    - (iv) significant changes to organisational structure;

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- (v) the acquisition, establishment, disposal or cessation of any significant business of the Company;
  - (vi) any public statements which reflect significant issues of the Company's policy or strategy; and
  - (vii) any changes to the discretions delegated from the Board; and
- (k) to review on a regular and continuing basis:
- (i) senior executive succession planning (in particular for the Managing Director); and
  - (ii) senior executive development activities.

1.3 In performing the responsibilities set out above the Board should at all times:

- (a) be guided by the objective of maintaining and building the Company's capacity to generate value for shareholders; and
- (b) act in accordance with the duties and obligations imposed upon them by the Company's Constitution and by law.

1.4 The Board may delegate its responsibilities to Committees, in accordance with section 6 below.

## 2. Board Membership

The composition of the Board is determined using the principles outlined below. These principles will be reviewed on an on-going basis as the Company evolves and where the implementation of new principles are considered appropriate having regard to the size and nature of the Company's operations.

- (a) a minimum of 3 directors with a broad range of business expertise;
- (b) at least 2 non-executive directors; and
- (c) directors should bring characteristics which allow a mix of skills and experience.

## 3. Independence of Directors

3.1 A Director is only to be regarded as independent if the Director is independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of the Director's unfettered and independent judgement.

3.2 In considering whether a Director is independent under section 3.1, the Board is to have regard to:

- (a) the criteria for assessing the independence of a Director in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (**Best Practice Recommendations**);
- (b) any information, facts or circumstances that the Board considers relevant; and

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- (c) any materiality thresholds, standards or guidelines that the Board may adopt from time to time.
- 3.3 If a Director is or becomes aware of any information, facts or circumstances which will or may affect that Director's independence, the Director must immediately disclose all relevant details in writing to the Company Secretary and the Chairman.
- 3.4 The Board will regularly assess the independence of each Director in light of disclosures made in accordance with section 3.3 to ensure that the Board continues to comprise at least 2 independent non-executive directors.
- 4. Chairman**
- 4.1 The Chairman is responsible for:
- (a) leadership and effective performance of the Board;
  - (b) setting the agenda for Board meetings, in consultation with the Managing Director and Company Secretary;
  - (c) overseeing the provision of information by management to the Board, and using reasonable endeavours to ensure the adequacy of that information; and
  - (d) arranging regular evaluation of the performance of the Board, Board Committees and all Directors.
- 5. Non-Executive Directors**
- 5.1 Non-Executive Directors collectively should:
- (a) constructively challenge and contribute to the development of strategy;
  - (b) scrutinise the performance of management, particularly in relation to meeting agreed objectives, and monitor the reporting of performance;
  - (c) 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 and that the controls are maintained and the systems robust;
  - (d) appoint and, where necessary, remove, the Managing Director;
  - (e) prepare or ratify senior management succession plans;
  - (f) review and where appropriate, constructively challenge proposals presented by management; and
  - (g) request additional information where they consider that the information supplied by management is inadequate to support informed decision-making.
- 5.2 Non-Executive Directors individually should inform themselves to a reasonable extent about the subject matter of all decisions they are called upon to make as Directors 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, when advising their willingness to accept appointment, demonstrate that they understand what is expected of them, and confirm that they are willing to make the necessary