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# BOARD CHARTER

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## 1. INTRODUCTION AND PURPOSE

The board of directors (**the Board**) of Redstone Resources Limited (**Redstone**) and its subsidiaries (**the Company or Group**) are responsible for overseeing the Company's business operations and its management for the benefit of shareholders, employees and other stakeholders and to enhance shareholder value.

The Board is responsible for the overall corporate governance of Redstone and its subsidiaries.

This Board Charter (**the Charter**) includes an overview of:

- the composition and responsibilities of the board of directors (**the Board**);
- the relationship and interaction between the board and management; and
- authority delegated to by the Board to management and, where applicable, Board Committees.

The Company's Constitution ultimately governs matters relating to the Board and its functions, which are further expanded and interpreted upon by this Charter.

The Board will at least review this Charter annually to determine the adequacy of this Charter for the Company's circumstances.

## 2. RESPONSIBILITIES AND FUNCTIONS OF THE BOARD

Under the Board charter, the Board's responsibilities include:

- setting the strategic direction of Redstone and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet Redstone's objectives;
- appointing and removing the Managing Director, or equivalent, and overseeing succession plans for the senior executive team;
- evaluating the performance of the Board and its directors on an annual basis;
- determining remuneration levels of directors;
- approving and monitoring financial reporting and capital management;
- approving and monitoring the progress of business objectives;
- ensuring that any necessary statutory licences are held and compliance measures are maintained to ensure compliance with the law and licence(s);
- ensuring that adequate risk management procedures exist and are being used;
- ensuring that Redstone has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of Redstone.

Matters specifically reserved for the Board include:

- appointment of a Chair;
  - appointment of a Managing Director or equivalent;
  - appointment of directors to fill a vacancy or as additional directors;
  - ratifying the appointment, the terms and conditions of the appointment the Company Secretary;
  - establishment of board committees, their membership and delegated authorities;
  - approval of major capital expenditure, acquisitions and divestitures in excess of authority delegated to management;
  - approval of dividends;
  - calling of shareholder meetings; and
  - any other specific matters nominated by the Board from time to time.
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### **3. DELEGATION OF DUTIES AND POWERS**

Directors may delegate their powers as they consider appropriate, however ultimate responsibility for strategy and controls rests with the directors.

Management must supply the Board with information in a form, timeframe and quality that will enable the Board to make informed decisions and discharge its duties effectively.

Directors are entitled to request additional information when considered appropriate.

The Company's Managing Director (or equivalent) is responsible for implementing the strategic objectives of the Company with appropriate reference to the risk framework as set by the Board and all aspects of the day to day operations of the Company.

#### **Delegation to Committees**

The Board may from time to time establish Committees to streamline the discharge of its responsibilities. The powers that may be delegated to these Committees will be set out by board resolution.

As at the date of this Charter, the Board of Directors considers that the Company is not currently of a size, scope or nature, to justify the establishment of separate Board committees to delegate specific functions to. Accordingly, all matters that may be capable of delegation to committees will be and are dealt with by the full Board.

### **4. BOARD SIZE AND COMPOSITION**

The Constitution requires a minimum number of three directors. The maximum number of directors is fixed the Board but may not be more than 14, unless the members of the Company in general meeting resolves otherwise.

The relevant provisions in the company's Constitution and the Corporations Act 2001 determine the terms and conditions relating to the appointment and termination of directors. All directors, with the exception of the Managing Director are appointed for a fixed term and are subject to re-election by rotation every three years. Non-executive directors are engaged through a letter of appointment.

The membership of the Board and its activities are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake the Board's duties and responsibilities.

Redstone believes that the current composition of the Board has the necessary skills and motivation to ensure that Redstone continues to perform strongly.

The full Board will review the skills represented by Directors on the board and determine whether the composition and mix of those skills remain appropriate for the Company's strategy, subject to limits imposed by the Constitution and the terms served by existing non-executive directors. Due to the size and nature of the Company's affairs, a nominations committee has not been established.

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## 5. DIRECTOR INDEPENDENCE

The Board need not be made up of a majority of independent directors. However an appropriate number of independent directors should hold board positions from time to time to maintain appropriate independence during board discussions.

A Director will considered to be independent if he/she is free of any interest, position, association or relationship that might influence, or reasonably expect to influence, in a material respect, his or her capacity to bring independent judgment on issues before the Board and to act in the best interests of the Company and its security holders generally.

Factors relevant to assessing the independence of a director include whether the director:

- is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities;
- is, or has been within the last three years, in a material business relationship (eg as a supplier or customer) with the entity or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- is a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity;
- has a material contractual relationship with the entity or its child entities other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

In each case, the materiality of the interest, position, association or relationship of the director needs to be assessed. The Board will consider materiality thresholds on a case by case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- The Board will determine the appropriate base (e.g.revenue, equirt or expenses) in the context of each situation.
- In general, the Board will consider an affiliation with a business that accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence.
- In general, the Board will consider a holder of more than 5% or more of the Company's shares to be material. Where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular director should be reviewed by the Board.
- The Board will consider whether there are any factors which may mean that the Director's interest, business or relationship could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board does not believe that it should establish arbitrary limits on director tenure. While tenure limits can help to ensure fresh ideas and viewpoints available to the Board, there is also the disadvantage of losing contribution of those directors who have been able to develop over a period of time, providing increased insight in the Company and its operations. Accordingly, director tenure is just one of many factors taken into account by the Board when assessing independence and ongoing contribution of a director.

Ultimately, shareholders determine the tenure of directors. Accordingly, it is envisaged that directors shall remain on the Board until required to vacate the office by law or as detailed in the Constitution.

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## **Conflicts of Interest**

Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.

Directors must disclose to the Board actual or potential conflicts that may or might reasonably be thought to exist between the interests of the Director and the interests of the Company. On appointment, Directors will have an opportunity to declare any such interests.

Directors should update this disclosure by notifying the Company Secretary in writing as soon as they become aware of any conflicts. Directors are also expected to indicate to the Chairman any actual or potential conflict of interest situation as soon as it arises.

The Board can request a Director to take reasonable steps to remove the conflict of interest. If a Director cannot or is unwilling to remove a conflict of interest then the Director must absent himself or herself from the room when discussion and voting occur on matters to which the conflict relates. The entry and exit of the Director concerned will be minuted by the Company Secretary.

Directors do not have to give notice of a conflict or absent themselves in accordance with Section 191(2) or Section 195 of the Corporations Act, including, without limitation when either:

- (a) the conflict of interest relates to an interest common to all Company members/shareholders; or
- (b) the Board passes a resolution that:
  - identifies the Director, the nature and extent of the Director's interest; and
  - clearly states that the other Directors are satisfied that the interest should not disqualify the Director concerned from discussion and/or voting on the matter.

## **Related Party Transactions**

Related party transactions include any financial transaction between a Director or officer and the Company and will be reported in half yearly and annual reports.

In general, the Corporations Act requires related party transactions to be approved by the shareholders; the Board cannot, except in certain limited circumstances, approve these transactions.

Examples of exemptions to this requirement occur where the financial benefit is given on arm's length terms, or is considered to be reasonable remuneration to an officer or employee.

The Board has also resolved that where applications are made by a related party to a Director or officer of the Company then the Director or officer shall exclude himself/herself from the approval process.

Related party for this process has the meaning given to that term in Section 228 of the Corporations Act:

- (a) a spouse or de facto spouse of the Director or officer; or
  - (b) a parent, son or daughter of the Director or officer or their spouse or de facto spouse; or
  - (c) an entity over which the Director or officer or a related party defined in (a) or (b) has a controlling interest.
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## **6. INDEPENDENT PROFESSIONAL ADVICE**

In fulfilling their duties, the Board collectively and each director individually, has the right to seek independent professional advice at Redstone's expense, subject to prior approval of the Chairman or the Board as a whole, whose approval will not be unreasonably withheld.

## **7. BOARD PROCESS**

### **Meetings**

The Board will meet regularly and directors will use reasonable endeavours to attend Board meetings in person. Directors may also meet periodically without executive directors or management present.

The Company's constitution governs the regulation of Board meetings and proceedings.

### **The Chair**

The Board will appoint one of its members to the Chair who is responsible for the efficient organisation and conduct of the Board's functioning.

The Chair should facilitate effective contribution of all directors and promote constructive and respectful relations between board and management.

The Chair represents the Board to shareholders and communicates the Board's position.

### **The Company Secretary**

The Board will appoint at least one Company Secretary, who is accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board. The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

The Company Secretary (in conjunction with the Chair) is responsible for the co-ordination of all Board business, including agenda's, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.

All directors have direct access to the Company Secretary.

## **8. REMUNERATION POLICY**

The broad remuneration policy of the Company is to ensure that remuneration levels for executive Directors, secretaries and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel.

Remuneration packages offered by the Company are therefore geared to attracting talented employees through a combination of fixed remuneration and where appropriate, long term incentives, calibrated and individually tailored to be competitive in the external market to offer good incentive to join and remain with the Company.

The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company as it considers, given the current size and composition of the Board, and the size, scope and nature of the Company's activities, that there would be no efficiencies gained by establishing a separate Remuneration Committee. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

The Board of directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

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## **Equity-Based Remuneration Schemes**

Options have been and will be issued to directors of the Company. The purpose of issuing options to directors as part of a remuneration package is to be able to attract, retain and motivate people of the highest calibre to oversee management of the Company's operations by providing them with an opportunity to participate in the company's future growth and give them an incentive to contribute to that growth. The issue of options as a part of remuneration packages is a well-established practice of public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding the directors.

The Company's policy is to promote company performance and shareholder wealth by issuing options to directors with the purpose of:

- aligning the interests of directors with shareholders;
- rewarding capability and experience;
- providing competitive reward for contribution to shareholder wealth;
- providing a clear structure for earning rewards; and
- providing recognition for contribution.

Directors are also eligible to participate in the Company's Employee Share Option Plan (**ESOP**). Any such options to be offered to Directors under the terms of the ESOP require shareholders' approval. These Options are issued for nil consideration and do not have performance conditions attached other than continued employment with the Entity.

All remuneration paid to directors and executives is valued at cost to the Entity and expensed. Options granted to directors are valued using the Black-Scholes option pricing model.

The Company prohibits Directors participating in any equity based remuneration scheme implemented by the Company from entering into transactions (whether through the derivatives or otherwise) which limit the economic risk of participating in the scheme.

## **Performance Related Incentive Packages**

The Board seeks to align the interests of shareholders and executive directors through a performance related incentive package where applicable. No performance based amounts have been paid or determined to be paid to executives at this stage of the Company's development.

## **Non-executive Directors**

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and will review their remuneration annually, based on market practice, duties and accountability and to ensure their remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. Independent external advice is sought where required.

The aggregate amount payable to the Company's non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders, which is currently \$250,000.

## **Disclosure**

The remuneration of each director is disclosed annually in the Directors' Report included in the Company's Annual Report.

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## 9. REVIEW AND PERFORMANCE EVALUATION

The Board has adopted a personal evaluation process to measure its own performance during each financial year which includes review of:

- the performance of Board in accordance with the requirements of the Board Charter;
- the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

The Redstone board has three board members who are in regular contact with each other as they deal with matters relating to Redstone's business. At appropriate times the Chairman takes the opportunity to discuss Board performance with individual directors and to give them his own personal assessment. The Board believes that this approach is appropriate for a company the size of Redstone which has a small market capitalisation.

The Company will disclose whether a performance evaluation was undertaken in each reporting period.

Ongoing review is undertaken in relation to the composition and skills mix of the Directors of the Company.

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