



Board charter

June 2011

Board charter

Drillsearch Energy Limited (DLS) ACN 474844

1 Role of the Board

This Board charter (**Board charter**) sets out the principles for the operation of the Board of directors (**Board**) of Drillsearch Energy Limited (**DLS**) and to describe the functions of the Board and those functions delegated to management of DLS.ⁱ

The Board has primary responsibility to shareholders for the welfare of DLS by guiding and monitoring business and affairs of DLS. DLS recognises the importance of the Board in providing a sound base for good corporate governance in the operations of DLS. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to DLS. Furthermore, the Board will at all times act in accordance with all relevant DLS policies.

Each of the directors, when representing DLS, must act in the best interests of shareholders of DLS and in the best interests of the company as a whole.

This charter and the various complementary charters adopted by the Board and the various committees have been prepared and adopted on the basis that good governance and good governance procedures will positively impact the performance of DLS.

2 Responsibilities of the Board

Consistent with its duties, the Board reserves certain functions (listed below) to itself and delegates other functions to the management of DLS.

This charter delegates authority and recognises that once delegated management needs to be free to manage. The Board will not be too accepting of management's views and will test and question management's assertions, monitor progress, evaluate management's performance and will, where warranted, take corrective action.

The Board will ensure that management has in place appropriate processes for risk assessment, management and internal control, and monitoring performance against agreed benchmarks. The Board will work with senior management as collaborators in advancing the interests of DLS.

The Board's responsibilities are:

2.1 Management of the affairs of DLS

- Managing financial strategic objectives;
- Evaluating, approving and monitoring the strategic and financial plans of DLS;

- Evaluating, approving and monitoring the annual budgets and business plans;
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities of DLS; and
- Approving all financial reports and material reporting and external communications by DLS in accordance with DLS's External Communications Policy;

2.2 Senior management

- Appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the managing director. Consistent with the obligation to monitor the managing director the Board has identified the role and responsibilities of the managing director as described in sections 4.4 and 4.5. The Board will consider this job description and the managing director's authorities and accountabilities, as well as performance indicators to provide monitoring benchmarks.
- Formulating, approving, overseeing and disclosing a process of senior management performance evaluation against appropriate measures.
- Managing succession planning for the position of managing director, chief financial officer, and other critical positions in DLS. It is envisaged that this would involve working with the managing director to identify the requirements for critical positions and individuals that can fill those positions on both an emergency basis and over the longer term.
- Overseeing and ratifying the appointment and termination (of employment) of the chief financial officer.
- Ratifying the terms of appointment of senior management, including in relation to the terms of equity remuneration.

2.3 Risk management

- Monitoring DLS's performance in relation to ASX guidelines as identified and resolved by the Board.
- Approving and monitoring DLS's risk management framework.
- Approving and monitoring compliance with DLS's key corporate policies and protocols.
- Monitoring DLS's operations in relation to, and compliance with relevant regulatory requirements.
- The Board will undertake its risk management role in conjunction with an Audit & Risk Committee which will operate in accordance with the Audit & Risk Committee charter.

2.4 Guidelines for strategic planning and risk management

- The Board will be actively and regularly involved in risk management and strategic planning. The intention of the Board is that these functions will be

closely integrated. The Board must supervise the Audit & Risk Committee's activities to ensure that strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing.

- The Board recognises that strategic planning is an ongoing process that must be responsive to changes in the external environment and internal developments.
- The Board's involvement in strategic planning and the monitoring of risks does not mean the Board intends to manage the business but it recognises the Board is responsible for overseeing management and holding it to account.
- The Board will oversee the process that management has in place to identify and manage business opportunities and risks.
- The Board will consider the extent and types of risk that are acceptable for DLS to bear.
- The Board will monitor management systems and processes for managing a broad range of business risks.
- The Board will, on an ongoing basis, review with management how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.
- The Board intends to benchmark its activities regarding corporate governance against the following criteria for ongoing assessment:

Identification	Clarify DLS's core values for the organisation and identify these clearly.
Analysis	Examine the core values and develop a model for identifying events within the organisation that could adversely impact on the core values.
Assessment	<p>Allocate priorities to the risk rated items and integrate these items within the existing (and / or contemplated) operational plans and structures including by reference to the following areas of opportunity/risk:</p> <ul style="list-style-type: none"> • Strategic: for example, market conditions, new competitors, political/regulatory environment. • Financial: by considering the financial implications of a decision • Operational: eg business processes, technology, human resources, business interruption, environmental issues, health and safety issues, crisis management. • Leadership: eg ability to innovate and motivate throughout the organisation, choice of managing director • Partnership: eg ability to choose appropriate alliances, partnerships and make them work well.

	<ul style="list-style-type: none"> • Reputation: eg quality of products and services, consumer advocacy, public perceptions, illegal or unethical conduct, fraud.
Treatment	<p>Develop a scheme for integrating the outcomes within the organisational structure and delegations of authority to ensure responsibilities are matched with the necessary authority and appreciation of the core values.</p> <p>This involves the development of training programs that foster the core values throughout DLS. This means for instance that every person dealing with the investment community appreciates the importance of ensuring that material or price sensitive information is not disclosed to investors if it is not publicly available.</p>
Ongoing monitoring	<p>This is an essential element of DLS's program and includes an active program of continuous improvement, including keeping up to date on ASX guidelines, fostering a compliance culture, training and recognition.ⁱⁱ</p>

2.5 Reporting

- The Board must supervise management's recommended disclosure in the annual report and publicly explain any departures from the ASX guidelines and any publicly available information about DLS's policies.
- Any decision to deviate from the ASX guidelines must be recommended by the relevant committee or management and approved by a resolution of the Board.
- DLS will, where appropriate, include appropriate statements regarding departures from ASX recommendations in the annual reportⁱⁱⁱ such as:

"The Board has considered the ASX guideline [#] and its application to DLS, having regard to the circumstances of DLS and industry practice. The Board has determined to depart from ASX guideline [#] and this is warranted on the basis it is not appropriate for DLS because:

Having regard to the matters set out above, the Board does not believe the benefits are commensurate with the monetary and other costs they impose. As a result, their contribution to shareholder well being is believed to be minimal and they have not been adopted."
- The Board will supervise the public disclosure of all matters that the ASX recommendations recommend be publicly disclosed consistent with the Disclosure Policy and will provide a commentary of any Board decision not to make such disclosure or to clarify what disclosure has been made.^{iv}

3 Structure of the Board

The Board is to comprise a majority of non-executive directors^v who are considered by the Board to be independent, in accordance with the criteria in section 6, and subject to the DLS constitution, will be of such size and competence necessary to understand properly and deal with the current and emerging issues of the business of DLS.

The role of chair and managing director should not be exercised by the same person. The directors will appoint as chair of the Board, one of the non-executive directors who is independent.^{vi}

In the absence of the chair the Board will elect an alternative chair.

Each director is bound by all DLS charters, policies, codes of conduct etc, including without limitation:

- DLS Securities Trading Policy;
- DLS Code of conduct;^{vii} and
- DLS Disclosure Policy

The Board and/or the committees have delegated carriage of the operation and management of DLS's business to the managing director.

This charter is designed to facilitate a mature and constructive relationship with DLS's management – one that is grounded in a mutual understanding of their respective roles and the ability of the Board to act independently in fulfilling its responsibilities.

The Board will approve and monitor delegations of authority from the managing director to senior management.

4 Statement of the division of authority between the chair and managing director^{viii}

4.1 Objective

Consistent with its commitment to ASX guidelines, DLS recognises the importance of the office of chair and the office of managing director of DLS.

DLS recognises that it is important that the chair and the managing director have defined roles in the organisation and function in accordance with clear functional lines.

4.2 Role of DLS chair^{ix}

In accordance with clause 58 of the DLS constitution, the Board has resolved to appoint a chair and determine the period for which he or she holds office.

The chair will be selected on the basis of relevant experience, skill and other commitments together with the necessary leadership abilities that the Board has identified from time to time. The Board at the first Board meeting following the annual

general meeting will consider the position of chair. It is envisaged that the normal term for a chair will be for a period of five years subject to satisfactory performance.

The role of chair is demanding, requiring a significant time commitment. The chair's other commitments should not be so great as to hinder their ability to perform this role.

4.3 Specific duties of the chair

The chair will:

- chair Board meetings;
- establish the agenda for Board meetings, in consultation with the managing director and company secretary;
- chair meetings of members, including the annual general meeting of DLS;
- chair the Remuneration and Nomination Committee;
- be the primary spokesperson for DLS at the annual general meeting;
- be the primary channel of communication and point of contact between the Board (and the directors) and the managing director;
- be the primary approval point for the flow of information between management and the board including minutes, board papers and circular resolutions
- be kept fully informed by the managing director of all material matters which may be relevant to directors, in their capacity as directors of DLS;
- in consultation with the managing director and other appropriate members of senior management, review all matters material to the interests of DLS;
- provide guidance and mentoring to the managing director;
- chair the managing director evaluation process through the Remuneration and Nomination Committee; and
- ensure the annual process of Board evaluation is conducted.

Delineation of Board, Chair and MD responsibilities:

- Board approval is required for all annual reports, quarterly reports, announcements regarding M&A activity, changes in executive management team and price sensitive announcements that are likely to have a material (10% or more) impact on the share price;
- the Chairman and the managing director can jointly approve investor and shareholder presentations (both formal and informal) and public relations activities;
- announcements regarding shareholders, capital structure, shareholder matters including shareholder meetings appointment of directors, or changes in MD are to be released under the Chair's name; and
- announcement regarding performance, profitability, operations, corporate activity (M&A), and business as usual are to be released under the MD's name.

4.4 Role and responsibilities of the managing director

The managing director has primary responsibility to the Board for the affairs of DLS.

The Board appoints the managing director to manage the business on behalf of it (and shareholders) and must delegate sufficient powers to allow him or her to manage effectively.

The managing director must carry out the objectives of the Board in accordance with its instructions, and report to the Board on all matters the managing director considers to be material to the affairs of DLS.

The managing director is bound by his or her employment contract, the codes and policies of DLS and must discharge his or her duties in accordance with the law.

4.5 Specific duties of the managing director

The managing director will:

- oversee the general management of the operations of DLS;
- develop for approval by the Board, strategic and financial plans for DLS and once approved to implement and monitor these;
- develop for approval by the Board, annual budgets and business plans and once approved implement and monitor these;
- prepare plans for approval by the Board covering all major capital expenditure, capital management and all major corporate transactions, including the issue of any securities of DLS and once approved implement and monitor these;
- develop all financial reports, and all other material reporting and external communications by DLS, including material announcements and disclosures, in accordance with DLS's External Communications Policy.
- manage the appointment of the chief financial officer and company secretary, and any other specific senior management positions;
- develop, implement and monitor DLS's risk management framework in consultation with the Risk Committee
- assist the chair and the company secretary in relation to establishing the agenda for Board meetings;
- be the primary channel of communication and point of contact between the executive staff and the Board (and the directors);
- keep the chair fully informed of all material matters which may be relevant to the Board, in their capacity as directors of DLS;
- in conjunction with the chair and other appropriate members of senior management, review all matters material to the interests of DLS;
- provide strong leadership to, and effective management of DLS in order to:
 - develop an ethical culture aligned with the DLS Code of conduct and values;
 - encourage cooperation and teamwork;

- build and maintain staff morale at a high level;
- build and maintain a strong sense of staff identity with, and a sense of allegiance to, DLS;
- ensure a safe workplace for all personnel;
- ensure that DLS has regard to the interests of employees and customers of the Company and the community and environment in which the Company operates;
- otherwise carry out the day-to-day management of DLS;
- observe the rule and the spirit of the law and comply with any relevant ethical and technical standard;
- maintain the confidentiality of all information acquired in the course of conducting the role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board, or is required by law or by the ASX Listing Rules;
- observe the principles of independence, accuracy and integrity in dealings with the Board, the Audit and Risk Committee and other Board committees, external auditors, chief financial officer and other senior managers within DLS; and
- disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature of which the managing director becomes aware and which the managing director reasonably believes may compromise the reputation or performance of DLS.

4.6 Limitations on delegated authority

The delegation of authority is subject to the limits determined by the Board. The following financial delegations of authority apply:

Managing Director

1. Payments made within an operating budget that has board approval up to \$100,000.
2. Intercompany funds transfers up to \$2,000,000.
3. Contracts within a capital expenditure program that has had board approval up to \$250,000.
4. Payments at the discretion of the Managing Director up to \$50,000
5. The MD CANNOT delegate his authority to his staff. If the MD is absent the delegations revert to the Chairman of the Board.

Chief Financial Officer

1. Payments made within an operating budget that has board approval up to \$25,000

Chairman Only

1. Same approval levels as for the MD in instances where the MD cannot exercise his delegation because of a conflict of interest (eg payment of short term performance bonus for the MD)
2. Expense claims for the MD and directors

Chair of the Audit and Risk Committee

1. Chairman's expense claims

No other employees have approved delegations. No contractors have approved delegations.

5 Chief financial officer^x

The chief financial officer and senior finance officers influencing financial performance of DLS must:

- fulfil their duties in accordance with the highest level of honesty and integrity at all times;
- observe both the rule and the spirit of the law and comply with any relevant ethical and technical standards, such as the DLS Code of Conduct;
- maintain the confidentiality of all information acquired in the course of conducting the role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board, or is required by law or by the ASX Listing Rules;
- observe the principles of independence, accuracy and integrity in dealings with the Board, the Audit & Risk Committee and other Board committees, external auditors and other senior managers within DLS;
- disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature of which the chief financial officer becomes aware and which the chief financial officer reasonably believes may compromise the reputation or performance of DLS;
- maintain transparency in the preparation and delivery of financial information to both internal and external users;
- exercise diligence, skill and good faith in the preparation of financial information and ensure that such information is accurate, timely and represents a true and fair view of the financial performance and condition of DLS, and complies with all relevant legislative requirements;
- ensure the maintenance of a sound system of internal controls to safeguard DLS's assets and to manage risk exposure through appropriate forms of risk control;
- set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of chief financial officer; and
- observe, develop and implement the principles of this charter in a conscientious, consistent and rigorous manner.

6 Independence of directors^{xi}

DLS is committed to adopting the best practice in corporate governance. This requires that the Board be structured so that it:

- has a proper understanding of, and the competence to deal with, the current and emerging issues of the business;
- can effectively review and challenge the performance of management; and
- exercises independent judgement.

To achieve this, the Board recognises the need to have independent directors and to ensure that Board members can add value to DLS's business. Therefore, the Board will also seek to ensure that there are directors who have a strong understanding of DLS's business.

The following guidelines are based on the criteria for independence recommended by the ASX Corporate Governance Council. These guidelines will be made available separately as a Policy on Independence of Directors.

The Board will assess the independence of directors of DLS pursuant to these guidelines.

6.1 Test of independence

The test that will be used by the Board of DLS to determine the independence of directors is:

An independent director is a non-executive director who is not a member of management and free of any business or other relationship with DLS that could materially interfere – or could reasonably be perceived to materially interfere – with the exercise of objective, unfettered and independent judgment.

6.2 Information collected by the Board to assess independence

In determining the independence of directors the Board will consider all relevant information, facts and circumstances.

It is not possible to provide for all circumstances that will indicate a conflict of interest or a material relationship that could, or could be perceived to, materially interfere with the exercise of objective, unfettered and independent judgment of directors. However, a director will normally be considered to be independent if he or she satisfies the criteria set out in part 6.3.

A director may still be considered by the Board to be independent if the director does not meet the criteria specified in paragraph 6.3. The Board reserves its right to make an appropriate assessment and to disclose it as described in paragraph 6.5.

Directors will provide the Board with all information in relation to their interests or relationships relevant to determining independence and will inform the Board of any change in their position. The Board will assess the independence of directors when any new relevant interests or relationships are disclosed by a director.

6.3 Independence criteria and materiality thresholds

The criteria adopted by the Board which would indicate that a director is not independent are:

- a) the director is an executive or member of management or an officer of DLS;
- b) the director, has been employed in an executive capacity by DLS within the last 3 years.
- c) the director is a “substantial shareholder” of DLS or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of DLS.

For the purpose of this policy DLS has adopted the Corporations Act 2001(Cth) definition of substantial shareholder which provides that a person is a substantial shareholder if they hold more than 5% of the shares entitled to vote in an entity.

An officer is defined by the Corporations Act 2001 (Cth). It includes:

- (i) a director or secretary of the Company;
 - (ii) a person who makes or participates in making decisions that affect the whole or substantial part of the business of the Company or who has the capacity to affect significantly the Company's financial standing; and
 - (iii) a liquidator, receiver and administrator of the Company.
- d) the director has been a principal or material employee of a material professional adviser; or consultant to DLS within the last 3 years.

A professional advisor will typically be material if the adviser's fees account for more than 2% of DLS's consolidated gross revenue or \$250,000, or if DLS accounts for more than 5% of the advisers consolidated gross revenue. DLS's auditor, principal financial and legal advisers are regarded as material advisers.

- e) the director currently receives material consulting, advisory or other fees except in the capacity as a director. This includes payments to a family member or an entity in which the director is a partner, member or officer if the entity provides legal, financial, consulting or other similar services to DLS. A director may at the request of the Board undertake and be rewarded for additional services. Any resulting fee will not be considered to affect the assessment of independence.
- f) the director, or a direct family member, is a material supplier or customer of DLS or is an officer, substantial shareholder, or otherwise associated directly or indirectly with a material supplier or customer.

A supplier or customer will typically be material if the value of purchases or sales accounts for more than 2% of DLS's consolidated gross revenue or \$100,000, or more than 5% of the consolidated gross revenue of the customer or 5% of the consolidated gross revenue of a supplier.

- g) the director, or a direct family member, has a material contractual relationship with DLS or is an officer, substantial shareholder of or otherwise associated directly or indirectly with an entity which has a material contractual relationship with DLS.

A contractual relationship will typically be material if: the value of the contract is more than 5% of DLS's consolidated gross revenue; or, if the contract is for more than five years; or, the contract is for the supply of essential goods or services in a competitive market.

- h) the director has had a material business relationship with DLS either directly, or as a partner, shareholder or director of an entity that has had such a relationship with a member of the DLS Group within the last 3 years.

A business relationship will typically be material if the value of the business relationship is in excess of 5% of DLS's or the director's (or related entities, consolidated gross revenue.

- i) the Board determines the director is not otherwise independent in character and judgement.

These criteria are guidelines for the Board to use in determining the independence of directors. The test of whether a relationship or business is "material" will be based on the nature, circumstances and activities of the director having regard to these guidelines. Materiality will be considered from the perspective of both DLS and the director and will be determined on a case by case basis.

6.4 Access to information and independent professional advice

Subject to obligations of confidentiality and protection of privacy all directors have unrestricted access to company records and information. Management prepare and present detailed financial and operating reports to directors on a regular basis. Directors may request other reports from management at any time.

Each director has the right to seek advice and clarification from DLS's auditors, financial and legal advisers on any matter relating to the Company or Board performance at DLS's expense.

It is also important that directors can obtain independent advice. Directors have the right to seek independent professional advice, if necessary, at DLS's expense. Before this expense can be incurred on behalf of DLS, the approval of the Chairman is necessary or in the absence of that approval, Board approval.

6.5 Disclosure

The Board will make appropriate disclosure to shareholders in DLS's Annual Report including:

- identifying the skills, experience and relevant expertise of each director;
- identifying the independence and non-independence of directors and the basis of the assessment of independence;
- explaining the assessment of independence for any director who does not meet the independence criteria;
- setting out material relationships, associates and other relevant business relationships of each director and the period of office held by each director including details of any relationships or circumstances which the Board believes do not affect independence but which could be perceived as influencing the director's judgment, objectivity or ability to act in the best interests of DLS;
- explaining any departure from the best practice recommendations set out in the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations;

- setting out the procedure agreed by the Board to enable directors to obtain independent professional advice at the expense of the Company; and
- the process of developing and reviewing the materiality thresholds that DLS adopts to help assess and determine independence.

7 Conflicts of interest

As a general principle each director must bring an enquiring, open and independent mind to Board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that he or she believes, to be in the best interests of DLS as a whole, free of any actual or possible conflict of interest, and consistent with the Directors' and the DLS Code of Conduct.

If the Board determines that a director might be in a position where there is a reasonable possibility of conflict between his or her personal or business interests, the interests of any associated person, or his or her duties to any other company, on the one hand, and the interests of DLS or his or her duties to DLS, on the other hand, as required by the Corporations Act 2001^{xii}, the Board will require that the director:

- fully and frankly informs the Board about the circumstances giving rise to the conflict as soon as practicable after the conflict becomes known to that director; and
- abstains from voting on any motion relating to the matter and absenting himself or herself from all Board deliberations relating to the matter including receipt of Board papers bearing on the matter.

If the Board resolves to permit a director to have any involvement in a matter involving possible circumstances of conflicting interests the Board must minute full details of the basis of the determination and the nature of the conflict including a formal resolution concerning the matter.

If a director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the director should immediately consult with the chair.

The company secretary will maintain a register of all possible conflict of interest situations.

8 Meetings

Directors should ordinarily receive Board papers and related material not later than five days prior to the relevant meeting.

The chair of the meeting should ensure, through the managing director, the availability and, if necessary, the attendance at the relevant meeting, of any member of executive management responsible for a matter included as an agenda item at the relevant meeting.

The non-executive directors should arrange to meet regularly and at a minimum, at least twice in each financial year to conduct a non-executive discussion of Board and

management issues. These meetings should be used to discuss the effectiveness of the Board in conducting its role, opportunities for improvement, to provide feedback about Board processes, and the adequacy and timeliness of information being provided to the Board. At times these meetings may focus on substantive issues that some Board members may need to discuss without management present. These meetings may also discuss areas where the performance of independent directors could be strengthened.

Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated quickly and directly to the managing director by the chair.

8.1 Agenda

An agenda will be prepared for each Board and committee meeting. In forming the agenda consideration should be given to including the items listed below:

<i>Item</i>
<i>Minutes of previous meetings</i>
<i>Matters arising from minutes</i>
<i>Major correspondence</i>
<i>Report by the managing director</i>
<i>Report of Audit Committee</i>
<i>[Report of other committees]</i>
<i>[Report by working parties]</i>
<i>[Report by senior managers]</i>
<i>Board submissions</i>
<i>General business</i>
<i>Meeting review</i>
<i>Date and time of next meeting</i>

Each meeting should allow adequate time for informal discussions between Board members.

8.2 Taking minutes

Minutes for each meeting should be recorded promptly and not more than five days after the close of the meeting, and, within a reasonable time after that meeting, be signed by the chair of the meeting or the next meeting.

Minutes will generally record the following items:

<i>Item</i>
<i>Date, time and place of meeting</i>
<i>Attendees and Absentees</i>
<i>Consideration should be given to including a summary of the issues discussed</i>
<i>Outcome of resolutions passed</i>

Any presentations, reports or other documentation tabled as attachments

The Board minutes are more than a mere record of the actions taken. They should seek to justify the soundness of the actions taken by the Board, rather than act as a mere record.

8.3 Circular Resolutions

Urgent matters that cannot wait until the next Board meeting can be dealt with by a circular resolution in accordance with clause 53 of the DLS Constitution

Circular resolutions are to be approved by the Chairman before being circulated and should normally be preceded by a telephone meeting if practical.

The resolution is passed when it is signed by the last of the directors comprising the majority.

Circular resolutions must be signed by all directors approving the action and will be entered in the DLS minute book.

9 Board committees

The *Corporations Act 2001* (Cth) allows the directors to delegate their powers regarding financial matters to the Audit Committee.^{xiii} This charter relies on those delegation powers as specific authority for the rest of the Board to rely reasonably on information or advice provided to the Board by its various committees,^{xiv} to assist the Board in the discharge of its responsibilities (either in whole, or in conjunction with the Board).^{xv} The Board has established the following committees:

- Audit & Risk Committee,^{xvi}
- Remuneration and Nomination Committee.^{xvii}

These committees are designed to consider specific matters and make recommendations to the Board. However, it is not intended that these committees restrict the ability of the Board to make an independent assessment of the recommendations, having regard to the Board's knowledge of DLS and the complexity of the structures and operations of DLS. The Board will consider the materials and recommendations presented to them and bring their own mind to bear on the issue using the skill and judgment they possess.^{xviii}

The Board will consider and approve the charters of the various committees.

The Board will receive copies of minutes in respect of each committee and all non-executive directors may attend meetings of committees of which they are not members.

10 The Board and executive management

Any director may communicate directly with employees of DLS but such communications are to be made having regard to the efficient operation of DLS and the need to preserve and maintain an effective chain of command and the confidentiality of the Board's deliberations.

Where individual directors wish to communicate with executive management or with other employees or representatives of DLS in relation to company business the managing director must facilitate those communications.

11 Independent advice^{xix}

A director of DLS is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at DLS's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- a director must seek the prior approval of the chair;
- in seeking the prior approval of the chair, the director must provide the chair with details of:
 - the nature of the independent professional advice;
 - the likely cost of seeking the independent professional advice; and
 - details of the independent adviser he or she proposes to instruct.
- the chair may prescribe a reasonable limit on the amount that DLS will contribute towards the cost of obtaining such advice;
- all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to DLS and to the director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with DLS (in the case of an executive director) or any dispute between the director and DLS;
- the chair may determine that any advice received by an individual director will be circulated to the remainder of the Board.

12 Remuneration

The level of non-executive director remuneration will be set by the Remuneration and Nomination Committee in accordance with clause 49 of the DLS constitution and so as to attract the best candidates for the Board while maintaining a level commensurate with Boards of similar size and type.

In line with DLS's desire to maintain director independence, each director is permitted to deal in personal securities of DLS in accordance with the Securities Trading Policy.

13 Board performance

The Board believes that regular assessment of the Board's effectiveness and the contribution of individual directors is essential to improve governance of DLS.

At least once in each financial year, there must be a performance evaluation:

- of the Board comparing the performance of the Board with respect to the requirements of this charter and current ASX guidelines;
- of individual directors' contribution to the Board;
- of the Board's committees; and
- establishing the goals and objectives of the Board for the upcoming year.

The focus of the evaluation will be on how performance can be made more meaningful in setting and achieving goals that add value. The results will be internal to the Board, but disclosure will be made in the annual report and DLS's website that such evaluations are undertaken.

The Board will determine the manner and form of the performance evaluation.

14 Access to Board charter

This charter will be provided to each director of DLS, the senior management group, external auditors, shareholders, copies will be accessible on the DLS website and made available on request.

15 Review of Board charter

The Board will, at least once in each financial year, review this charter, and the charter of each of the committees, and make any amendments it determines are necessary or desirable.

ⁱ Australian Stock Exchange Corporate Governance Council, Good Corporate Governance Principles and Recommendations, Recommendation 1.1.

ⁱⁱ Australian Standards AS 3806-1998 Compliance programs Section 3.2.5.

ⁱⁱⁱ Australian Stock Exchange (ASX) Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendations 2.5, 3.3, 4.4, 5.2, 7.3 and section 300A of the Corporations Act and AASB 124 *related party Disclosures*. Principles 1, 6, 8 and 10 do not contain specific recommendations to 'provide the information indicated in Guide to Reporting in Principle [#]'. However, the Guidelines do contain a requirement to report each of these principles and the better approach would be to treat these matters as requiring disclosure and report in each case whether the Board has determined to deviate from the recommendation and the reasons for that decision.

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- ^{iv} There is some ambiguity in the ASX Corporate Governance Council, Corporate Governance Principles and Recommendations concerning public disclosure eg Recommendation 1.1 and Guide to reporting on Recommendation 1.1 where the Recommendation appears cumulative but the reporting requirement provides for alternatives.
- ^v ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 2.1.
- ^{vi} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 2.2 and 2.3.
- ^{vii} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 3.1.
- ^{viii} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 2.3.
- ^{ix} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 2.2.
- ^x ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 3.1. Also consider the Code of Conduct for Chief Financial Officers, Group of 100, December 2002 at www.group100.com.au.
- ^{xi} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 2.1.
- ^{xii} Corporations Act section 195
- ^{xiii} Corporations Act section 189 and 198D and see H A J Ford, R P Austin and I M Ramsay, *Ford's Principles of Corporations Law* (10th Ed, 2001), at [7.264]; see also section 3.2 of Appendix D to the Ramsay Report.
- ^{xiv} Corporations Act section 189(a)(ii).
- ^{xv} For example, safety committees, related party transactions committee.
- ^{xvi} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 4.1.
- ^{xvii} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, Recommendation 2.4.
- ^{xviii} Corporations Act section 189(b)(ii) and see also cases like *Southern Resources Ltd v Residues Treatment & Trading Co Ltd* (1990) 3 ACSR 207 at 225.
- ^{xix} ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, includes in the Guide to Reporting on Principle 2 the disclosure of this procedure as one of the matters that should be included in the annual report.