



CORPORATE GOVERNANCE POLICIES

BOARD CHARTER

PART A – DEFINING GOVERNANCE ROLES

1. ROLE OF THE BOARD

1.1 Function

The Board of Directors of Erongo Energy Limited (“Erongo”) at a meeting held in June 2005 have approved the following charter formalising the functions and responsibilities of the Board (Board Charter). The Board is ultimately responsible for all matters relating to the running of the Company.

The Board’s role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of the Company. In general, it is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

1.2 Objective

The objective of the Board is to acquire, develop and operate profitable resource projects to create sustainable value for shareholders.

1.3 Responsibilities

The Board is responsible for:

Establishing Vision, Mission and Values

- Determining the vision and objectives of the company;
- Overseeing and fostering an appropriate culture for the company that is directly aligned top its values, strategies and objectives;
- Reviewing and approving the Company’s financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Identifying all areas where written board policy is required, detailing the policies, and overseeing the implementation and monitoring of compliance, including policies in relation to trading of the company’s securities, occupational health and safety, environmental policy, code of conduct, related party transactions;

Setting Strategy and Structure

- Formulating short term and long term strategies to enable the company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments;
- Approving the annual operating and capital budgets, and ensuring these are aligned with the Company's strategic objectives

Ensuring the Company is Properly Managed

- Being responsible for the Company's senior management and personnel including appointing and, where appropriate, removing the Chairman;
- Ratifying the appointment, and where appropriate, the removal of the MD (if applicable) and the Company Secretary;
- Evaluating the performance of the executive directors and the Senior Management Team and determining their remuneration;
- Delegating appropriate powers to the executive directors and senior management to ensure the effective day-to-day management of the business and monitoring the exercise of these powers;
- Ensuring that policies and procedures are in place consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters.
- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy, encouraging effective participation at general meetings and, through the Chairman, being the key interface between the Company and its shareholders.

2. BOARD STRUCTURE

2.1 Number of Directors

The Board has determined that, consistent with the size of the Company and its activities, the Board shall be comprised of three Directors, one of whom, is an executive.

The Board recognises that best practice occurs when the Board comprises a majority of non-executive directors. The Board continues to strive to meet the Principles of Good Corporate Governance and Best Practice Recommendations published by the ASX or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying with the ASX Corporate Governance Council Recommendation 2.1 "A majority of the Board should be independent directors" is impractical given the size of the company and the industry in which it operates. The Board instead aims to assess the independence of the Company's non-executive Directors on an ongoing basis requiring full disclosure where conflicts of interests arise.

2.2 Appointment of Directors

Directors are appointed under the terms of the company's constitution. Appointments to the board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills.

2.3 Duration of Appointment

In the interest of ensuring a continual supply of new talent to the Board, all Directors with the exception of the Managing Director will serve for a period of three years before they are requested to stand down for re-election. A managing director may be appointed for any period and on any

terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

3. THE ROLE OF INDIVIDUAL DIRECTORS

3.1 Expectations of Directors in Board Process

At the Company, it is expected that Directors shall, in good faith, behave in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board.

Directors are expected to be forthright in Board meetings and have a duty to question, request information, raise any issue, and fully canvas all aspects of any issue confronting the Company, and cast their vote on any resolution according to their own judgment.

Outside the boardroom, however, Directors will support the letter and spirit of Board decisions in discussions with all stakeholders including any shareholders, special interest groups, customers, staff, suppliers and any other parties.

Directors will keep confidential all Board discussions and deliberations. Similarly, all confidential information received by a Director in the course of the exercise of the Director's duties remains the property of the Company and is not to be discussed outside the boardroom. It is improper to disclose it, or allow it to be disclosed, unless that disclosure without appropriate authorisation.

3.2 Conflict of Interest and Related Party Transactions

Directors must disclose to the Board or the Chairperson as soon as the Director becomes aware of any conflict or potential conflict of interest, which that director may have in relation to any transaction or matter relevant to the company or its business. Unless the board decides otherwise, the Director should be absent from any discussion and decision on that transaction or matter.

3.3 Emergency Contact Procedures

As there is the occasional need for urgent decisions, Directors should leave with the Company Secretary any contact details, either for themselves or for a person who knows their location, so that all Directors can be contacted within 24 hours in cases of a written resolution or other business.

4. THE ROLE OF THE CHAIRMAN

The Chairman's role is a key one within the Company. The Chairman is considered the "lead" Director and utilises his/her experience, skills and leadership abilities to facilitate the governance processes.

There are two main aspects to the Chairman's role. They are the Chairman's role within the boardroom and the Chairman's role outside the boardroom.

4.1 Inside the Boardroom

Inside the boardroom the role of the Chairman is to:

1. Establish the agenda for Board meetings in consultation with the Board;
2. Chair Board meetings. It is common practice that if the Chairman is not present within 10 minutes after the time appointed for the holding of that meeting, a Director chosen by a majority of Directors present shall assume the role;
3. Be clear on what the Board has to achieve, both in the long and short term;
4. Provide guidance to other Board members about what is expected of them;
5. Ensure that Board meetings are effective in that:
 - the right matters are considered during the meeting (for example, strategic and important issues);
 - matters are considered carefully and thoroughly;
 - all Directors are given the opportunity to effectively contribute; and

- the Board comes to clear decisions and resolutions are noted;
- 6. Brief all Directors in relation to issues arising at Board meetings;
- 7. Ensure that the decisions of the Board are implemented properly;
- 8. Ensure that the Board behaves in accordance with its Code of Conduct; and
- 9. Commence the annual process of Board and Director evaluation.

4.2 Outside the Boardroom

Outside the boardroom the role of the Chairman is to:

1. In conjunction with the Managing Director, undertake appropriate public relations activities;
2. Be the spokesperson for the Company at the AGM and in the reporting of performance and profit figures;
3. Be the major point of contact between the Board and the Managing Director;
4. Be kept fully informed of current events by the Managing Director on all matters which may be of interest to Directors;
5. Regularly review with the Managing Director, and such other senior officers as the Managing Director recommends, progress on important initiatives and significant issues facing the Company;
6. Provide mentoring for the Managing Director; and
7. Initiate and oversee the annual Managing Directors evaluation process.

5. THE ROLE OF THE COMPANY SECRETARY

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have as of right access to the Company Secretary.

The tasks of the Company Secretary shall include:

Meetings and Minutes

- notifying the directors in writing in advance of a meeting of the Board as specified in the Constitution;
- ensuring that the agenda and Board papers are prepared and forwarded to Directors prior to the Board meeting;
- recording, maintaining and distributing the minutes of all Board and Board Committee meetings as required;
- maintaining a complete set of Board papers at the Company's main office.
- preparing for and attending all annual and extraordinary general meetings of the Company; and
- recording, maintaining and distributing the minutes of all general meetings of the Company.

Compliance

- overseeing the Company's compliance program and ensuring all Company legislative obligations are met;
- ensuring all requirements of ASIC, the ATO and any other regulatory body are fully met; and
- providing counsel on corporate governance principles and Director liability.

Governance Administration

- maintaining the Register of Ongoing Conflicts of Interests and the Register of Related Party Transactions;
- maintaining a Register of Company Policies as approved by the Board;
- maintaining, updating and ensuring that all directors have an up-to-date copy of the Board Charter and associated governance documentation;
- maintaining the complete list of the delegations of authority;
- reporting at each Board meeting the documents executed under a power of attorney, documents executed in accordance with section 127 of the *Corporations Act*, and reporting on the use of the seal register; and
- any other services the Chairman or Board may require.

6. THE ROLE OF THE MD

The Managing Director (MD) is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

The MD's primary objective is to ensure the ongoing success of the Company through being responsible for all aspects of the management and development of the company. The MD is of critical importance to the Company in guiding the company to develop new and imaginative ways of winning and conducting business. The MD must have the industry knowledge and credibility to fulfil the requirements of the role.

The MD will manage a team of executives responsible for all functions contributing to the success of the Company.

The MD's specific responsibilities will include:

- Develop, in conjunction with the Board, the Company's vision, values, and goals;
- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Preparation of business plans and reports with the senior management; developing with the Board the definition of ongoing corporate strategy; implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Responsibility for proposals for major capital expenditure to ensure their alignment with corporation strategy and justification on economic grounds;
- Sustain competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the organisation's goals and objectives;
- Establish and maintain effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;

- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place;
- Develop and motivate direct reports and their respective teams;
- Select and appoint key staff (direct reports); and
- Ensure there is an appropriate staff appraisal system in place in the Company.

PART B – BOARD PROCESSES

7. BOARD MEETINGS

Board meetings are a fundamental component of governance processes. Each Board meeting is critical, as it is the main opportunity for directors to:

- obtain and exchange information with the senior management team;
- obtain and exchange information with each other; and
- make decisions.

The Board meeting agenda is equally as important because it shapes the information flow and subsequent discussion.

7.1 Meeting Frequency

The Board will meet approximately 11 times per year but no less than six times per year and, unless otherwise agreed.

7.2 Meeting Location

The Board currently meets at Level 25, 2 The Esplanade, Perth, WA 6000

7.3 Meeting Cycle

To assist the smooth running of Board processes, the Board has adopted an indicative monthly cycle as follows.

- Circulate Agenda and Board Papers to the Board and invitees 5 days prior to the meeting
- Draft minutes of meeting to be sent to Chairman and other directors within 14 days following the meeting.

Please note, that this is an indicative cycle only. The actual timing of events in the lead up to and follow up from Board meetings will be dependent upon the circumstances surrounding each individual meeting.

7.4 Conduct of Meeting

The Chairman will determine the degree of formality required at each meeting while maintaining the decorum of such meetings. As such, the Chairman will:

- ensure that all members are heard;
- retain sufficient control to ensure that the authority of the Chair is recognised. This may require a degree of formality to be introduced if this is necessary to advance the discussion;
- take care that the decisions are properly understood and well recorded; and
- ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

When the Chairman does not arrive within 10 minutes after the time appointed for the holding of the meeting, or is unable or unwilling to act, the directors involved must elect one of their number to be a chairman of the meeting.

7.5 Quorum and Voting at Meetings

In order for a decision of the Board to be valid, a quorum of directors must be present. As per Clause 13.14 of the Company's Constitution, the number of Directors whose involvement is necessary to constitute a quorum is two (2), or such greater number as determined by the Directors from time to time. Questions arising at Board meetings are to be decided by a majority of votes of Directors who are present and entitled to vote.

7.6 Emergency Decision Making – Written Resolutions

As per Clause 13.25 of the Company's constitution, a resolution in writing signed by all Directors for the time being, or their respective alternate Directors, shall be valid and effectual as if it had been passed at a Directors' meeting duly convened and held. Any such resolution may consist of several documents in the like form but each document must contain a statement that the directors are in favour of the resolution and the wording of the resolution and the statement of the Directors must be identical, each document signed by one or more Directors.

8. BOARD MEETING AGENDA

The Managing Director, in consultation with the Chairman is responsible for preparing an agenda for each Board meeting. However, any director may request items to be added to the agenda for upcoming meetings. The Company Secretary circulates the agenda to all directors with the Board papers at least five days prior to the meeting.

9. BOARD PAPERS

9.1 Preparation and Circulation of Board Papers

The Company Secretary together with the Managing Director is responsible for the preparation and circulation of Board papers. The Board papers will be circulated to all Directors prior to the Board meeting. If a Board paper relates to a matter in which there is a known conflict of interest with a particular Director then the relevant Board paper will be removed by the Company Secretary on the instructions of the Chairman, from the set of Board papers sent to that Director. In the case of the Chairman having a conflict of interest, the Board will appoint another Director to make final decisions on the forwarding of Board papers to the Chairman.

9.2 Retention of Board Papers

The Company Secretary maintains a complete set of Board papers at the Company's headquarters. However, individual Directors may retain their own Board papers in a secure location.

10. BOARD MINUTES

Minutes are to be a concise summary of the matters discussed at a Board Meeting. Minutes will contain a brief reference to relevant Board papers tabled plus any official resolutions adopted by Directors. All decisions will be recorded in the minutes by means of a formal resolution.

11. COMMITTEES

The Board has decided that there no current requirement for the formation any committees outside of the Board forum. This will be re-visited on an on-going basis.

PART C – BOARD PERFORMANCE

12 REVIEW PERFORMANCE

The board has in place a process for reviewing its own performance and that of individual directors, committees and senior management. The Board meets annual to review the outcome of this process.

The annual procedure for Board performance evaluation will be to:

- Review its performance against the terms of the company's charter;
- Review the performance of committees against the terms of their charters (if relevant);
- Review the contribution of each director;
- Review the changes that may be required to the charter of the board or its committees, taking into account the developments in the company and its businesses over the preceding year, and in corporate governance practices.

13 INDEMNITY INSURANCE

Each director has entered into an agreement with the Company in which the Company agrees to:

- Indemnify the Director against the liability arising out of the discharge of the Director's duties;
- Provided cover can be obtained at reasonable rates and on reasonable terms, to maintain an insurance policy for the Director against liability incurred in their capacity as a Director
- Provide access to company material as required for proper purposes.

14 INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairperson, the company will pay the reasonable expenses associated with obtaining such advice.