

# Board Charter

## China Magnesium Corporation Limited ACN 125 236 731 ("Company")

### 1. Role of the Board

This Board Charter sets out the principles for the operation of the Board of Directors of the Company and describes the functions of the Board and those functions delegated to management of the Company.

The Board is accountable to shareholders for the performance of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the laws applicable to the Company and must act in the best interests of the shareholders of the Company and other stakeholders.

This Board Charter and the charters adopted by the Board for the Committees established by the Board have been prepared and adopted on the basis that corporate governance and good governance procedures can add to the performance of the Company and the creation of shareholder value.

### 2. Responsibilities of the Board

#### 2.1 Board responsibilities

The Board is responsible for the management of the affairs of the Company, including:

(a) Strategic and financial performance

Developing and approving the corporate strategy.

Evaluating, approving and monitoring the strategic and financial plans of the Company.

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 the Company.

Appointment of the Chairman of the Company.

(b) Executive management

Appointing, monitoring, managing the performance of, and if necessary, terminating the employment of, the Managing Director. The Board will consider the Managing Director's authorities and accountabilities, as well as performance indicators to provide monitoring benchmarks.

Managing succession planning for the positions of Managing Director and such other key management positions which may be identified from time to time.

Liaising with the Managing Director in relation to the appointment and termination of such key management positions which may be identified from time to time.

(c) Audit and risk management

Approving the Company's risk and audit framework, (including but not limited to) systems of both financial and non-financial risk management and internal control and disclosing whether management has reported on the effectiveness of these systems.

Approving compliance with the Company's risk and audit policies and protocols and disclosing a summary of these policies.

Monitoring the Company's operations in relation to, and compliance with, relevant regulatory and legal requirements.

Requiring management to design and implement risk management and internal control systems to manage the Company's material business risks and, to report to the Company on whether those risks are being managed effectively. The Board should disclose that management given it a report concerning the effectiveness of the Company's management of its material business risks.

(d) Strategic planning

The Board will be actively and regularly involved in strategic planning and reviewing, developing and considering strategic planning issues.

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 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.

(e) Corporate governance

The Board must review and approve all disclosures related to any departures from principles of good corporate governance.

The Board must review and approve the disclosure of any of the Company's policies and procedures to the general public.

The Board will supervise the public disclosure of all matters that best practice standards recommend be publicly disclosed consistent with the Continuous Disclosure Policy approved by the Board.

The Board will establish and monitor performance and reporting of Committees of the Board.

The appointment of Directors to Committees will be established by the Board.

The Board will approve and monitor delegations of authority.

### **3. Structure of the Board**

#### **3.1 Overview**

The Board determines the size and composition of the Board subject to the terms of the Constitution of the Company.

The Directors appoint the Chairman of the Board who must be one of the non-executive Directors who is independent. The Managing Director is to be an executive Director.

#### **3.2 Directors**

Each Director is bound by all the Company charters, policies and codes of conduct, including without limitation:

- the Company's Audit Committee Charter;
- the Company's Code of Conduct;
- the Company's Share Trading Policy; and
- the Company's Continuous Disclosure Policy.

The Directors of the Company shall:

- (a) conduct their duties at a high level of honesty and integrity;
- (b) observe the law and comply with applicable standards;
- (c) maintain the confidentiality of all information acquired in the course of performing 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;
- (d) observe the principles of independence, accuracy and integrity in dealings with the Board, Board committees, internal and external auditors and senior management within the Company;
- (e) disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature of, which the Director becomes aware of and which the Director reasonably believes may compromise the reputation or performance of the Company; and
- (f) set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of Director.

### **4. Statement of the division of authority between the Chairman and Managing Director**

#### **4.1 Objective**

The Company recognises that it is important that the Chairman and the Managing Director have defined roles in the organisation and function in accordance with clear functional lines.

## **4.2 Role of the Company Chairman**

The Company has appointed an independent Chairman. The Chairman will be selected on the basis of relevant experience, skill, judgement and leadership abilities to contribute to the effective direction of the Company.

## **4.3 Specific duties of the Chairman**

The Chairman will:

- (a) chair Board meetings;
- (b) establish the agenda for Board meetings, in consultation with the Managing Director and Company Secretary;
- (c) chair meetings of members, including the annual general meeting of the Company;
- (d) be the primary channel of communication and point of contact between the Board (and the Directors) and the Managing Director;
- (e) provide guidance to the Managing Director;
- (f) chair the Managing Director evaluation process by the Board; and
- (g) be an independent non-executive Director.

## **4.4 Role and responsibilities of the Managing Director**

The Managing Director has primary responsibility to the Board for the affairs of the Company. The Managing Director will:

- (a) develop with the Board, implement and monitor the strategic and financial plans for the Company, the annual budgets and business plans, major capital expenditure, capital management and all major corporate transactions, including the issue of any securities of the Company;
- (b) manage the appointment of persons to senior management positions;
- (c) develop, implement and monitor the Company's risk and audit management framework;
- (d) consult with the Chairman and the Company Secretary in relation to establishing the agenda for Board meetings as well as all matters of significance where it is appropriate to do so;
- (e) in consultation with the Company Secretary, consider and approve all disclosures of information to the market in accordance with the Continuous Disclosure Policy of the Company;
- (f) be the primary channel of communication and point of contact between the executive management and the Board (and the Directors);
- (g) keep the Chairman fully informed of all material matters which may be relevant to the Board, in their capacity as Directors of the Company;

- (h) provide strong leadership to, and effective management of, the Company;
- (i) ensure that the Company has regard to the interests of employees and customers of the Company and the community and environment in which the Company operates; and
- (j) otherwise carry out the day to day management of the Company.

## **5. Confidential Information**

The Board has established the following principles to apply in respect of information of the Company:

- (a) the Board will approve the nature of any information to be disclosed to any third party and the manner in which such information can be disclosed;
- (b) all Directors, including any Directors nominated by a shareholder, are required to keep all information provided to them in their capacity as a Director confidential.

## **6. Conflicts of interest**

The Directors of the Company are required to act in a manner which is consistent with the best interests of the Company as a whole, free of conflicts of interest.

If a Director considers that he or she 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 the Company or his or her duties to the Company, on the other hand, the Board will require that the Director:

- (a) fully and frankly informs the Board about the circumstances giving rise to the conflict; and
- (b) if such conflict is a material personal interest, 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 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 Chairman.

## **7. Meetings**

### **7.1 Overview**

The Board will ordinarily meet not less than 8 times formally per annum and as frequently as may otherwise be required to deal with urgent matters.

The Chairman in conjunction with the Managing Director should ensure 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.

## **7.2 Agenda**

An agenda will be prepared for each Board and committee meeting. The agenda will be prepared by the Company Secretary in consultation with the Chairman and the Managing Director.

The following items will be standing items on the Agenda unless otherwise determined by the Chairman:

- Approval of minutes of previous meeting;
- Report by the Managing Director;
- Reports of the Audit Committee (if conducted since the last Board Meeting); and
- Report of the Company Secretary on continuous disclosure.

## **8. Board committees**

In order to fulfil its duties, the Board has established the Audit Committee.

The composition of the membership of the Audit Committee will comprise at least two independent non-executive Directors and will be chaired by an independent non-executive Director.

The Audit Committee will meet six monthly or more frequently as necessary.

The Board will consider and approve the charters of the Audit Committee and any other committees it may establish from time to time. These charters will identify the areas in which the Board will be assisted by each respective Committee.

## **9. Independent advice**

Subject to Board approval, a Director of the Company is entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of his or her responsibilities. Any advice received shall be circulated to the Board of Directors.

## **10. Remuneration**

The level of non-executive Director remuneration will be set by the Board and is subject to any regulatory requirements.

## **11. Continuous Disclosure**

The Board has adopted a policy related to the continuous disclosure obligations of the Company. The Company Secretary will oversee the implementation of that policy and the Board will consider continuous disclosure as a standing item at Board meetings.

## **12. Independence**

The Board will regularly assess whether each non-executive director is independent.

A director will be considered an independent director if the director:

- (a) is not a substantial shareholder of the Company, being a shareholder who does not have more than a 5% interest in the Company;
- (b) has not been employed within the last 3 years as an executive of the Company;
- (c) has not within the last 3 years been a principal of a material professional adviser or consultant to the Company;
- (d) is not a material supplier, customer or other contractor of the Company;
- (e) does not have a material contractual relationship with the Company other than as a director; and
- (f) is otherwise considered by the Board to be independent.