



## BOARD CHARTER

### 1. MANAGEMENT AND OVERSIGHT

#### Objectives of the Board

The key objective of the Board of Territory Resources Limited (“**Territory**” or the “**Company**”) is to increase shareholder value by successful production, exploration and development initiatives. Shareholders' rights and interests are safeguarded by the Company acting in accordance with prudent commercial principles and by the appointment of an appropriate management team.

The Board and management act within the framework of the Territory Resources Limited Constitution, the Corporations Act and the ASX Listing Rules, together with any other policies and delegations as determined by the Board from time to time.

The Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Territory.

The Board meets regularly in the discharge of its responsibilities.

#### Role of the Board of Directors

The fundamental role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of Territory Resources and oversees the management of the Company's business.

#### Responsibilities of the Board

The Board is collectively responsible for promoting the success of the Company. The principal functions and responsibilities of the Board are:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the Managing Director;
- where appropriate, ratifying the appointment and removal of senior executives;
- providing input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance;
- monitoring senior executives' performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures; and





- approving and monitoring financial and other reporting.

Within the above framework the Board retains the ability to delegate some of its responsibilities, however the delegation of the responsibilities to senior management must not exceed the Materiality Threshold as defined below. All matters contained in the annexure entitled Matters Reserved for the Board and all matters that are above the Materiality Threshold must be considered and determined by the Board.

## Materiality Threshold

The Board has agreed on the following guidelines, which are deemed appropriate for a company of the maturity and size of Territory Resources for assessing the materiality of matters:

- Quantitative materiality
  - Balance sheet items are material if they have a value of more than 5% of pro-forma net assets;
  - Profit and loss items are material if they will have an impact on the current year operating result of 10% or more;
  - Contingent liabilities are material if they would have a probable effect of 10% or more on the balance sheet or profit and loss items;
  - Any other matter is material if it could have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of 10% or more.
- Qualitative materiality
  - any matters which impact on the reputation of the Company and/or its Board;
  - any activities of the Company, its joint venturers, employees or contractors which may involve a breach of legislation or are in the Board's view outside the ordinary course of its business;
  - any matter which might negatively affect the Company's rights to its assets;
  - any matter that involves a breach of legislation
  - any activity of the Company its joint venturers, employees or contractors which has the capacity to involve a contingent liability that would in the Board's view have a potential material effect on the Company's balance sheet or a similar effect on one or more profit and loss items.
  - any qualitative matters that if accumulated would trigger any of the quantitative qualitative tests
- Materiality in contracts
  - they are outside the ordinary course of business;
  - they contain exceptionally onerous provisions in the opinion of the Board;





- they impact on income or dividends in excess of the quantitative tests;
- there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests;
- they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum that would trigger any of the quantitative tests;
- they contain or trigger change of control provisions;
- they are between or for the benefit of related parties; or
- they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

## 2. COMPOSITION OF THE BOARD

Under the Constitution of Territory, the Board must be comprised of a minimum of 3 and a maximum of 10 Directors. The minimum and maximum number of directors may be changed, but this requires shareholder approval. A quorum for Directors is 3.

The Board shall comprise Directors with a range of backgrounds and experience and should ideally include a majority of independent Non-Executive Directors.

The Board will regularly assess the independence of the Non-Executive Directors. Individual Directors must not participate in assessing their own independence. Non-Executive Directors must provide to the Board all information relevant to the assessment.

The assessment process shall occur annually or where there is a change in a Non-Executive Director's circumstances which may impact their status as an independent Non-Executive Director.

The Board will consider all of the circumstances relevant to a Non-Executive Director in determining whether the Non-Executive Director is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Non-Executive Director's ability to exercise his/her unfettered and independent judgment. The materiality threshold for reviewing independence for a director who is an affiliate of a business that has a contractual relationship with the Company is 10% of the revenue or the profit and/or the gross assets of either the Company or the related party.

The Chairman of the Board shall be a Non-Executive Director and shall not be the (or a former) Chief Executive Officer or Managing Director of the Company. In the event that the Chairman is deemed not to be independent then the Board should appoint a Lead Independent Director to preside over meetings (or part thereof) involving any potential conflict of interest.

Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience or expertise of benefit to the Company and to bring an independent view to the





Board's deliberations. A letter of appointment will set out the Director's individual responsibilities.

Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.

### **3. RETIREMENT FROM THE BOARD**

Directors must retire from office every three years, but are eligible for re-election at the appropriate AGM. There is no maximum age for Directors.

All Non-Executive Directors are expected to voluntarily review their membership of the Board from time to time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

An Executive Director shall tender a resignation from the Board immediately when he/she decides to retire or resign from employment with the Company.

### **4. COMMITTEES OF THE BOARD**

To assist the Board in the discharge of its responsibilities and to enhance corporate governance, the Board has established the following committees:

- Corporate Governance & Audit Committee;
- Remuneration & Nomination Committee;
- Exploration and Reserves Committee;
- Operations Committee; and
- Business Development & Marketing Committee.

These committees are designed to consider specific matters and make recommendations to the Board. The Board will consider the materials and recommendations presented to them and make an independent assessment of the recommendations.

The Board has considered and approved the Charters of the various committees and all committee minutes are provided to the full Board. All directors can attend meetings of committees of which they are not members.

### **5. RESPONSIBILITIES OF THE CHAIRMAN**

The Board appoints the Chairman. The Chairman is responsible for the integrity of the Board process and the functioning of the Board. This contrasts with the role of the Managing Director who is responsible for the functioning of the organisation, and the role of the Company Secretary, who is responsible for the integrity of Board documents.

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.





## (a) Inside the Boardroom

The Chairman shall:

- Be clear on what the Board has to achieve, both in the long and the short term.
- Provide firm guidance to other Board members about what is expected of them.
- Ensure the Board fulfils its functions and behaves in accordance with its rules and codes of conduct.
- Make Board meetings effective by ensuring that the Board:
  - Considers the appropriate matters (eg focuses on strategic issues, settles the Board agenda);
  - Considers matters properly/carefully (eg that papers are adequately researched, that matters in the Board decision making framework have been appropriately addressed, that adequate time is spent on the issue); and
  - Comes to clear decisions (eg that the resolution is clear as to the intentions of the Board).
- Ensure decisions of the Board are implemented properly.
- Behave fairly by allowing all Board members equal opportunity and input, whilst at the same time being cognisant of the need for efficient, timely and orderly meetings.

## (b) Outside the Boardroom

The Chairman should:

- Seek to strengthen the composition of the Board on an ongoing basis. This requires a focus on membership of the Board, performance of the Board (both as a group and individually) and Board terms of appointment.
- Manage relations with the Managing Director so as to ensure that the Board maintains a good working relationship with the Managing Director, whilst at the same time ensuring that the Managing Director's performance is regularly assessed, and results, including areas for improvement, are fed back.
- Make the Board's requirements clear to the Managing Director by acting as the focal point for communications between the Board and the Managing Director.
- Ensure that all Board Members actively build and maintain the company's image and reputation.
- Fulfil duties of representative or spokesperson of the Board (eg in presentations to media, or staff). In general the Chairman is the representative on matters of governance, whilst the Managing Director is the spokesperson on matters relating to the operations of the Company.

## 6. RESPONSIBILITIES OF THE MANAGING DIRECTOR

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and for implementing the policies and strategy set by the Board. In carrying out his or her responsibilities the Managing Director must report to the Board in a timely manner on those matters included in the Company's risk profile, all relevant





operational matters and any other matter that is likely to fall within the Materiality Threshold.

All reports to the Board must present a true and fair view of the Company's financial condition and operational results.

The Managing Director is responsible for evaluating the performance of senior executives.

## **7. BOARD REVIEW**

The Board will review its performance regularly and consider changes to improve the effectiveness of the Board and its committees.

## **8. CORPORATE GOVERNANCE**

The Directors aspire to high standards of corporate governance. To this end they have established a framework of corporate governance, which is reviewed on a regular basis.

The Corporate Governance Statement covers the main practices in this regard and is communicated to shareholders in the Annual Report each year. The Corporate Governance Statement also addresses the ASX Corporate Governance Council's Recommendations.

Approved: 19 September 2008

Amended: 23 February 2009

Amended: 23 October 2009





## MATTERS RESERVED FOR THE BOARD

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- 1. Appointments**
  - Decide appointment of the CEO
  - Approve appointment or removal of the Company Secretary and CFO
  - Consult with CEO regarding other senior management appointments
  - Decide membership and approve terms of reference of board committees
  - Recommend the appointment or removal of external auditor to shareholders and or ASIC
- 2. Board and Senior Management**
  - Appoint the Chairman of the Board
  - Approve delegations of authority to the CEO
  - Approve CEO remuneration and contract
  - Approve remuneration and incentive policies
  - Review senior executive remuneration
  - Review form of standard senior management contract
  - Review succession plans
  - Review disclosed conflicts of interest
  - Assess CEO performance
  - Assess board performance
  - Approve Chairman's expenses
- 3. Relations with the members and stakeholders**
  - Review arrangements for the AGM and other members' meetings [if any]
  - Approve any decision involving the issue of shares or options
  - Approve the issue of any reports required by the Law
  - Approve all but mechanical announcements to the Australian Securities Exchange, (having regard to Continuous Disclosure obligations)
  - Recommend appropriate directors for election by the members
- 4. Financial Matters**
  - Approve annual accounts and directors' reports
  - Review appropriateness of accounting policies
  - Approve internal audit plan (if applicable)
  - Approve debt facilities or granting of security over any asset
  - Approve major policies eg treasury policies
  - Ratify opening or closing of bank accounts
  - Review audit reports including management letters
- 5. Business strategy**
  - Approve strategic objectives
  - Approve strategic plan
  - Approve proposals for major expansion or closures
  - Approve the Annual Budget
  - Decide priorities and performance indicators
- 6. Major expenditures**
  - Approve capital expenditure budget and major variations from it
  - Approve lease or purchase of buildings above \$250,000 in total value.
  - Approve unbudgeted operational expenditure items above \$100,000
  - Approve major transactions outside budget or the ordinary course of business
  - Approve actions or transactions which might involve questions of legality or propriety





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- Approve Donations and Sponsorships Policy

## 7. **Risks, internal controls and compliance**

- Approve risk management policy and approach
- Review management's action plans and approaches for major risks
- Review reports regarding compliance with the law
- Approve use of the Company Seal



### **An Australian Resources Group**

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