



# **Board Charter**

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## Introduction

A Board Charter should be a living document that is referred to regularly and updated as required. It sets out the functions and responsibilities of the Board of Larus Energy Limited (“**Company**”) and those matters which are delegated to management.

### 1. Role of the Board

The Board is accountable to shareholders and other stakeholders for the performance of the Company. The Board is committed to generating shareholder value and financial return by developing a successful oil and gas company.

The Board is responsible for the strategic direction of the Company and the primary objective of the Company, which is to create and build sustainable value for its shareholders. It does this by establishing goals for Management and monitoring the achievement of these goals.

The Board has responsibility for:

- overseeing the Company, including its control and accountability systems;
- appointing and removing the Managing Director and the Chief Financial Officer;
- ratifying the appointment and removal of other senior executives;
- providing input into and 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 management’s executive performance and implementation strategy;
- approving and monitoring the progress of exploration activities, management of concession arrangements and community relations, major capital expenditure, capital management and acquisitions and divestitures;
- approving budgets; and
- approving and monitoring financial and other reporting.

In undertaking these responsibilities the Board will:

- (a) act in the best interests of the Company;
- (b) carry out its responsibilities with honesty, fairness, integrity, care and diligence and in a manner which reflects the current best practice in good corporate governance;
- (c) be mindful at all times of the legitimate interests of other parties who may have an interest in or be affected by the activities of the Company; and
- (d) act in accordance with the duties and obligations imposed upon it by the Company’s Constitution (“**Constitution**”), the Company’ Code of Conduct and the law.

### 2. Membership of the Board

- (a) The Constitution provides for a minimum of 3 directors and a maximum of 12 directors, unless otherwise determined. For the time being, the Board has determined that there shall be 3 directors.

- (b) The Board should comprise a majority of independent non-executive directors capable of bringing independent judgment to bear on decision making. In making its determination as to a director's independence, the Board will have regard to the guidelines on director independence set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.
- (c) The Board will select and appoint a Chairman who is an independent non-executive director.
- (d) Subject to the Constitution, the Directors may appoint one of their number to the office of Managing Director.

### **3. Skills required on the Board**

The members of the Board should possess an appropriate mix of skills and competencies considered of benefit to the Company, including if possible, relevant experience in the petroleum industry. The Board will seek to ensure that the Directors have a broad range of experience and expertise and have, or can develop, a thorough understanding of the business of the Company so as to add value to the operations of the Company.

## **4. Responsibilities**

### **4.1 Role of the Board**

In addition to matters expressly required by law to be approved by the Board, the following powers are reserved to the Board:

- (a) in relation to the Managing Director the appointment, removal, determination of remuneration (including any financial incentives) and conditions of service, entitlements on termination, and performance review, including the development and maintenance of a succession plan;
- (b) in relation to the Chief Financial Officer, if any, the appointment, removal, determination of remuneration (including any financial incentives) and conditions of service, entitlements on termination, and performance review;
- (c) ratifying the appointment, removal, remuneration and conditions of service including financial incentives of the Company Secretary;
- (d) the authorisation, within the constraints of the Corporations Act, 2001, the ASX Listing Rules and the Company's Policy & Procedure on Dealings in Securities, of the issue of any shares, options, equity instruments or other securities in the Company;
- (e) authorisation of expenditure and other matters in excess of the discretion limits delegated to the Managing Director and senior management in relation to business transactions, credit transactions, risk limits and other exposures;
- (f) the establishment of an incentive plan for the Company officers and employees;
- (g) the remuneration of non-executive directors;
- (h) input into and final approval of Management's development of corporate strategy and performance objectives including the strategic plan and business plan;
- (i) ensuring that Management has in place appropriate processes for:
  - (i) risk management, internal compliance and controls, codes of conduct, and legal compliance,
  - (ii) regular review of such processes by Management, and
  - (iii) ensuring that the Company maintains appropriate insurance.

- (j) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- (k) evaluating, approving and monitoring the progress of major capital expenditure and other major Company transactions;
- (l) approving and monitoring financial and other reporting;
- (m) appointment and removal of the External Auditor;
- (n) appointments and removal of members to all Board Committees;
- (o) approval and review of the Board Charter and the charters of all Board Committees;
- (p) approval and review of delegations to Management; and
- (q) approval of all relevant policies for the good governance of the Company, in addition to those already approved by the Board.

## **4.2 Role of the Chairman**

The Chairman has a major role in:

- (a) providing leadership of the Board in formulating the strategic direction for the Company;
- (b) ensuring the Board provides leadership and vision to the Company;
- (c) presiding over Board and shareholder meetings of the Company;
- (d) conducting General Meetings efficiently and openly such that shareholders and other stake holders have adequate opportunity to air their views and obtain answers to queries;
- (e) ensuring all other meetings are efficiently and effectively conducted and that the minutes are signed as a true and correct record;
- (f) facilitating the effective contribution of all Directors by ensuring that all Board members , individually and as a group, have the opportunity to air their differences and explore ideas;
- (g) promoting constructive relations amongst Board members and between the Board and Management;
- (h) ensuring that new Board members are well briefed and have access to information on all aspects of the Company's operations. This includes issuing the formal letter of appointment referred to in Clause 11.1.
- (i) maintaining a professional working relationship with the Managing Director and providing counsel and consultation when required;
- (j) setting the agendas for each Board meeting, in conjunction with the Company Secretary and Managing Director and taking into account suggestions from other Board members;
- (k) ensuring Management provides the Board with the necessary information to undertake effective decision making and actions;
- (l) communicating and consulting with relevant stakeholders on significant issues as appropriate; and
- (m) commencing and supervising through to conclusion the annual process of Board and Director evaluations.

### **4.3 Role of the Managing Director**

The Managing Director is responsible to the Board for the overall management and performance of the Company. The Managing Director should manage the Company in accordance with the strategy, plans and policies approved by the Board to achieve the agreed goals.

The Managing Director is expected to provide:

- (a) leadership;
- (b) strategic vision;
- (c) high-level business judgment and wisdom; and
- (d) the ability to meet immediate performance targets without neglecting longer-term opportunities.

### **4.5 Delegations of Authority to the Managing Director**

To provide clarity in delineating the roles of the Board and Management, the Board has delegated powers to the Managing Director. The Managing Director has authority to act and make decisions that bind or commit the Company within these delegated powers. Except as reserved by Section 4.1, the Board has delegated responsibility for implementing the strategic direction and for managing the day to day operations of the Company to the Managing Director.

The Managing Director will consult with the Chairman, in the first instance, on all matters which are sensitive or of a strategic nature and will ensure that clear and effective lines of communication are established between the Chairman and the Managing Director. It is incumbent on the Managing Director to advise the Chairman of any significant issues which will impact on the Company's profitability or public reputation as a matter of urgency.

### **4.6 Company Secretary**

The Company Secretary will act as secretary to the Board and will be responsible for carrying out the administrative and legislative requirements of the Board including:

- (a) ensuring that the Board agenda is developed in a timely and effective manner for review and approval by the Chairman;
- (b) ensuring, in conjunction with the Managing Director, that Board papers are developed and delivered in a timely and effective manner in accordance with Clause 10.7 (b);
- (c) coordinating, organising and attending meetings of the Board, and ensuring that correct procedures are followed;
- (d) drafting and maintaining minutes of Board meetings;
- (e) in conjunction with the Managing Director and other senior management, carrying out the instructions of the Board and giving practical effect to the Board's decisions; and
- (f) meeting statutory reporting requirements in accordance with all relevant legislation.

## **5. Board Committees**

The Board will establish standing and ad hoc Committees to assist it in carrying out its role. The Board may delegate any of its powers to a Committee and may authorise the Committee to sub-delegate all or any of the powers delegated. The establishment of a Committee in no way reduces the Board's responsibility.

Each Committee shall be required to adopt a charter approved by the Committee, which is consistent with the terms of establishment determined by the Board and which sets out the Committee's

composition, the skills and competencies required on the Committee, responsibilities and other matters relating to its effective operation. Each Committee should report to the Board in accordance with its charter but at least twice annually. The minutes of all Committee meetings should be made available to all directors as soon as practicable.

The Board has established and will maintain the following standing Committees:

## **5.1 Audit Committee**

The Audit Committee consisting of:

- (a) a non-executive director as chair,
- (b) a majority of independent directors and
- (c) at least 2 members.

## **6. Nomination and appointment of potential Directors**

### **6.1 Responsibility for nomination and appointment process**

The Board will be responsible for implementing the processes regarding the nomination of potential directors, subject to the requirements of the Newport Energy Constitution.

### **6.2 Succession planning**

The Board will be responsible for implementing the processes regarding succession planning for the Board and senior management.

Succession planning should be considered by the Board, and on its agenda, at least annually.

## **7. Media Spokesperson**

The Managing Director will ordinarily be the chief media spokesperson for the Company except where; in certain circumstances, it is more appropriate for the Chairman to speak on behalf of the Company, or the Board has approved a spokesperson to represent the Company from time to time.

## **8. Right to independent advice**

Directors are entitled to seek independent advice at the Company's expense, subject to prior approval of the Chairman, which shall not be unreasonably withheld and provided the expenses are reasonable. A copy of the advice received by the Director will be made available to all members of the Board.

## **9. Confidentiality**

All information acquired by Directors during their appointment is confidential to the Company and is not to be released, either during the term of Director's appointment or following their termination without prior clearance from the Chairman.

## **10. Board meetings**

### **10.1 Disclosure of Interests**

A Director has a legal obligation to disclose to all other Directors the following:

- (a) any material personal interests which relate to the business of the Company;

- (b) any other interest of which the Director becomes aware which the Director believes is appropriate to disclose in order to ensure that there is no actual conflict of interest or perceived conflict of interest.

When an issue arises at a Board meeting relating to such an interest, the Director will not attend the meeting while that matter is discussed, unless the other Directors agree otherwise, and may not vote on such an issue. The Director will not receive the board papers or minutes relating to that issue, unless the other Directors agree otherwise.

## **10.2 Meetings**

Board meetings will be conducted in accordance with the Constitution.

The Board will meet as required to discharge its responsibilities and will normally meet at least 6 times per year.

## **10.3 Quorum**

The quorum for Board meetings is 2 directors. So long as there are only 3 directors in total, all practical efforts will be made to have all directors present at meetings.

As soon as the Board increases in size to 4 members the quorum for a Board meeting will be 3 directors.

## **10.4 Recording of Board Minutes**

The Company Secretary is responsible for recording the minutes of Board, Committee and General meetings, which are then to be reviewed by the Chairman.

Minutes of meetings are to be confirmed at the next subsequent meeting, unless resolved otherwise. Once signed by the Chairman the minutes are regarded as an authoritative and accurate record of the decisions taken.

## **10.5 Board meeting agenda**

The Company Secretary will prepare the draft agenda after consultation with the Chairman and Managing Director. The Chairman will approve it before it is forwarded to all Directors with the Board Papers. Directors will have an opportunity to raise any issues at each Board meeting or if the matter is more urgent, then they should consult directly with the Chairman.

## **10.6 Annual agenda**

An annual agenda cycle will be developed by the Company Secretary and the Board, which details key papers to be provided to the Board within the regulatory reporting cycles in any one year. This calendar will assist Management in its planning process and help ensure that information is provided to the Board in a timely manner.

## **10.7 Board papers**

Management will use their best endeavours to ensure Board Papers are provided to Directors at least two business days prior to the relevant Board meeting. The papers should be prepared in accordance with an agreed template.

The Board Papers will clearly indicate the purpose of each document: whether it is for information or for decision.



## **11. Induction and ongoing education**

### **11.1 Induction**

Each new Director must accept his or her appointment to the Board on the terms set out in the Director's Letter of Appointment. The Board under the auspices of the Chairman will develop a comprehensive induction programme for new Directors. The Board induction process will include the following activities:

- (a) an individual meeting with the Chairman to discuss the Company and the Directors' responsibilities in relation thereto ;
- (b) attendance at a briefing session with the Managing Director and relevant senior management; and
- (c) provision of a comprehensive package of briefing materials in relation to the Company.

The briefing materials will include:

- (a) Information relating to the nature of the Company and its business including:
  - o Constitution;
  - o Governance framework including Board and Committee Charters and all Company Policies;
  - o Summary details of the Company's financial position and strategic plan;
  - o Risk Management strategy;
  - o Regulatory compliance and reporting calendar.
- (b) A summary of consolidated decisions of the Board or the minutes and papers of board meetings for the past two years shall be made available.

The Board will review the briefing materials for new Directors at least annually to ensure that they are both current and adequate.

### **11.2 Ongoing education**

The Board through the Chairman and Managing Director will participate in an ongoing programme of review on issues affecting the Company and the petroleum industry in general, both domestically and internationally.

## **12. Performance Evaluations**

### **12.1 Board evaluation**

The Board will undertake an annual review process in accordance with the principles enumerated in the Newport Energy Performance Evaluation Statement, if one is adopted.

The Board evaluation process will include:

- (a) reviewing the performance and effectiveness of the Board as a whole;
- (b) reviewing and implementing governance practices designed to enhance the Board's effectiveness;
- (c) comparing the Board's practices with these Charter requirements;
- (d) identifying any desirable enhancements to the Board Charter; and

(e) determining the Board's principal objectives for the following year.

## **12.2 Individual Director Evaluation**

An individual performance assessment will be undertaken for each Director on an annual basis.

The Chairman will be responsible for individual Director assessments.

The Board will be responsible for the performance assessments of the Managing Director and the Chief Financial Officer

## **12.3 Committee evaluation**

The performance of each Committee will be reviewed on an annual basis as set out in their respective charters.

## **13. Remuneration Policy**

### **13.1 Non Executive directors**

The Board will determine appropriate remuneration for the non executive Directors in line with the Company's remuneration policies.

### **13.2 Senior Management**

The Board will annually review the performance of the senior management and determine appropriate remuneration for the senior management team in line with the annual business plan and budget and after receipt of a recommendation from the Managing Director. The implementation of the approved remuneration policy will be the responsibility of the Managing Director.

## **14. Risk Management**

### **14.1 Risk Management Policy**

The Board has adopted a Risk Management Policy and has delegated certain areas of risk management to the Audit Committee for further scrutiny. In fulfilling its obligations to the Board, the Audit Committee will act in accordance with its charter and the Risk Management Policy.

### **14.2 Compliance Programme**

The Board will also be responsible for the development and maintenance of a compliance programme which fulfils the requirements of all applicable legislation governing the Company's activities. It is the responsibility of the Board to ensure that the Company has in place appropriate internal control systems to ensure that the corporate culture of the Company imposes a positive duty on employees, agents and officers of the Company to comply with, and be aware of, their relevant legal obligations.

Management are required to advise the Board immediately of any risk management issues which may arise.

## **15. External Audit**

The Audit Committee will make recommendations to the Board on the appointment, and where necessary the removal of the External Auditor. At least once per year, the External Auditor will meet, at the request of the Audit Committee, with the Audit Committee, without Management present.

## **16. Internal control**

The Board through the Audit Committee will, at least annually, conduct an independent review and receive an appropriate report on the effectiveness of the Company's system of internal controls. The review will cover all controls including financial, operational and compliance controls, as well as the effectiveness of the risk management framework. The internal control system should include a compliance framework which will also be reviewed at least annually.

The Audit Committee may appoint an Internal Auditor to complete the review. At least once per year, the Internal Auditor will meet, at the request of the Audit Committee, with the Audit Committee, without Management present.

## **17. Strategic planning**

### **17.1 Strategic Plan – role of Board and Management**

The Board in conjunction with the Managing Director and senior management will develop a strategic plan. This plan should be reviewed annually by the Board and amended as necessary.

Implementation of the strategic plan is the responsibility of Management. The Board is responsible for monitoring and evaluating that implementation.

### **17.2 Annual business plan**

Management will prepare an annual business plan and budget for the Company which shall be subject of approval by the Board. The business plan and budget will flow from the strategic plan.

## **18. Communication with stakeholders**

### **18.1 Stakeholders**

It is Management's responsibility to develop policies to manage successfully the relationship between the Company and its shareholders and stakeholders. The Board should approve, as required, appropriate policies and monitor Management's performance in respect of the Company's relations with its shareholders and stakeholders.

### **18.2 Website**

It is Management's responsibility to ensure that the Company's website contains relevant and up-to-date information for its shareholders and stakeholders. The website should include as a minimum the Company's recent annual reports, governance details (including the Board and Committee Charters, all Company Policies and recent ASX releases).

K Philip  
Chairman  
27 March 2010