

ETHAN MINERALS LIMITED
ACN 124 354 329

CORPORATE GOVERNANCE POLICIES

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1 BOARD CHARTER

1.1 Purpose

This statement summarises the role and responsibility of the Board of the Company.

The roles and responsibilities of the Board will evolve as the Company moves forward. A regular review of the balance of responsibilities will ensure that the division of the functions remains appropriate to the needs of the Company.

1.2 Role of the Board

The Board's key objectives are to:

- (a) increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and
- (b) ensure the Company is properly managed.

The Board has primary responsibility to shareholders for the welfare of the Company by guiding and monitoring the business and the affairs of the Company and determining the vision and objectives of the Company.

The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company.

The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company.

The Board will at all times act in accordance with all relevant Company policies.

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

1.3 Responsibility of the Board

The Board is collectively responsible for promoting the success of the Company by:

- (a) supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed, which includes but is not limited to (a) to (j) below inclusive;
- (b) ensuring the Company is properly managed, for example by:
 - (i) appointing and, where appropriate, removing any Managing Director, Chief Executive Officer (or equivalent) of the Company;
 - (ii) ratifying the appointment and, where appropriate, the removal of any Chief Financial Officer and the Company Secretary;
 - (iii) formulating short term and long term strategies to enable the Company to achieve its objectives and ensuring that the Company has the resources to meet its strategic objectives;

- (iv) input into and final approval of management's development of corporate strategy and performance objectives;
 - (v) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
 - (vi) monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available; and
 - (vii) establishing, monitoring and determining the powers and duties of any and all of the Company's committee's;
- (c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
 - (d) approving the annual budget;
 - (e) monitoring the financial performance of the Company;
 - (f) approving and monitoring financial and other reporting;
 - (g) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
 - (h) appointing the external auditor and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next AGM of the Company;
 - (i) liaising with the Company's external auditors; and
 - (j) monitoring and ensuring compliance with all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Board may not delegate its overall responsibility for the matters listed above however, it may delegate related day-to-day activities provided those matters do not exceed the materiality threshold (as defined below).

Materiality Threshold

The Board has agreed on the following guidelines for assessing the materiality of matters:

Materiality Quantitative

Balance sheet items

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.

Profit and loss items

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

Materiality Qualitative

Items are also material if:

- (a) they impact on the reputation of the Company;
- (b) they involve a breach of legislation;
- (c) they are outside the ordinary course of business;
- (d) they could affect the Company's rights to its assets;
- (e) if accumulated they would trigger the quantitative tests;
- (f) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or
- (g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Material Contracts

Contracts will be considered material if:

- (a) they are outside the ordinary course of business;
- (b) they contain exceptionally onerous provisions in the opinion of the Board;
- (c) they impact on income or distribution in excess of the quantitative tests;
- (d) there is a likelihood that either party will default, and the default may trigger any of the quantitative tests;
- (e) 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, triggering any of the quantitative tests;
- (f) they contain or trigger change of control provisions;
- (g) they are between or for the benefit of related parties; or
- (h) they otherwise trigger the quantitative tests.

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

1.4 Independence of Directors

The Board will be of such size and competence necessary to understand properly and deal with the current and emerging issues of the business of the Company.

In determining whether or not the directors are independent, the Board applies the criteria as set out in the ASX Corporate Governance Principles and Recommendations.

The Board considers that the Company is not currently of a size nor are its affairs of such complexity to justify the expense of the appointment of independent directors and an independent chairman.

1.5 Role and responsibility of Management

The role of management is to support the Board (or, in the instance of the appointment of a Managing Director, the Managing Director) and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

1.6 Review of Board Performance

The Chairperson is responsible for conducting an annual review of the Board, its committees and individual directors.

1.7 Independent advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

2 AUDIT COMMITTEE

There is no separate Audit Committee.

Due to the small size and structure of the Board, a separate Audit Committee is not considered to add any efficiency to the process.

The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to an Audit Committee.

When considering financial matters, the Board functions in accordance with its Audit Committee Charter.

3 AUDIT COMMITTEE CHARTER

3.1 Composition

The Audit Committee shall comprise the full Board.

3.2 Role of the Audit Committee

The role of the Audit Committee is to:

- (a) monitor the integrity of the financial statements of the Company, reviewing significant financial reporting judgments;
- (b) review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- (c) monitor and review the effectiveness of the Company's internal audit function (if any);

- (d) monitor and review the external audit function including matters concerning appointment and remuneration, independence and non-audit services; and
- (e) perform such other functions as assigned by law, the Company's constitution, or the Board.

3.3 Operations

The Committee meets at least half yearly, with further meetings on an as required basis.

Minutes of all meetings of the Committee are to be kept and the minutes and a report of actions taken or recommended to be given at each subsequent meeting of the full Board.

Committee meetings will be governed by the same rules, as set out in the Company constitution as they apply to the meetings of the Board.

Relevant members of management and the external auditor may be invited to attend meetings.

The Committee shall meet with the external auditor without management present, as required.

3.4 Authority and Resources

The Company is to provide the Committee with sufficient resources to undertake its duties, including provision of educational information on accounting policies and other financial topics relevant to the Company, and such other relevant materials requested by the Committee.

The Committee will have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee will have the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisers.

3.5 Reporting to the Shareholders

The directors' reports are to contain a separate section that describes the role of the Committee and what action it has taken.

The Chairperson of the Audit Committee is to be present at the AGM to answer questions, through the Chairperson of the Board.

3.6 Responsibilities

Annual responsibilities of the Committee are as set out in the Audit Committee Action Points.

(a) Audit Committee Charter – Annual Action Points

Financial Reporting and Internal Controls

- (i) Review half-year and annual financial statements.
- (ii) Consider management's selection of accounting policies and principles.
- (iii) Consider the external audit of the financial statements and the external Auditor's Report thereon.
- (iv) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised).

(b) Annual meeting with External Auditor

- (i) Discuss the Company's choice of accounting policies and methods, and any recommended changes.
- (ii) Discuss the adequacy and effectiveness of the Company's internal controls.
- (iii) Discuss any significant findings and recommendations of the external auditor and management's response thereto.
- (iv) Discuss any difficulties or disputes with management encountered during the course of the audit including any restrictions or access to required information.

(c) External Auditor Engagement

- (i) Establish/review criteria for the selection, appointment and rotation of external auditor.
- (ii) Recommend to the Board to appoint and replace the external auditor and approve the terms on which the external auditor is engaged.
- (iii) Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.
- (iv) Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- (v) Ensure that the external auditor is requested to attend the AGM of the Company and is available to answer questions from shareholders.

(d) Internal Communications and Reporting

- (i) Provide an annual report that includes the Committee's review and discussion of matters with management and the external auditor.
- (ii) Regularly update the Board about Committee activities and make appropriate recommendations.
- (iii) Ensure the Board is fully aware of matters which may significantly impact upon the financial conditions or affairs of the business.

(e) Other

- (i) Verify the membership of the Committee is in accordance with the Audit Committee Charter.
- (ii) Review the independence of each committee member based on ASX Corporate Governance Guidelines.
- (iii) Review and update the Audit Committee Charter and Action Points.
- (iv) Develop and oversee procedures for treating complaints of employee concerns received by the Company regarding accounting, internal accounting controls and auditing matters.

4 POLICY AND PROCEDURE FOR SELECTION AND APPOINTMENT OF NEW DIRECTORS

There is no separate nomination committee.

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Rather, the Board considers those matters and issues arising that would usually fall to a nomination committee, including the process of reviewing the skill base and experience of existing directors to enable identification of attributes required in new directors.

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting.

Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

5 REMUNERATION POLICY

There is no separate Remuneration Committee.

Due to the small size and structure of the Board, a separate Remuneration Committee is not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives.

The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a Remuneration Committee.

When considering matters of remuneration, the Board functions in accordance with its Remuneration Committee Charter.

6 REMUNERATION COMMITTEE CHARTER

6.1 Composition

The Remuneration Committee shall comprise the full Board.

6.2 Role

The function of the Committee is to review and make appropriate recommendations on:

- (a) remuneration packages of executive directors, non-executive directors and senior executives; and
- (b) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

6.3 Operations

The full Board shall meet in its capacity as the Remuneration Committee at least once a year and otherwise as required.

Minutes of all meetings of the Committee are to be kept. Committee meetings will be governed by the same rules as set out in the Company's constitution, as they apply to meetings of the Board.

6.4 Responsibilities

(a) Executive Remuneration and Incentive Policies

The Committee is to make decisions with respect to appropriate remuneration and incentive policies for executive directors and senior executives which:

- (i) will motivate executive directors and senior executives to pursue long term growth and success of the Company within an appropriate control framework;
- (ii) demonstrate a clear correlation between key performance and remuneration; and
- (iii) will align the interests of key leadership with the long-term interests of the Company's shareholder.

(b) Executive Remuneration Packages

The Committee is to ensure that:

- (i) executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives;
- (ii) a proportion of executives' remuneration is structured in a manner designed to link reward to corporate and individual performances; and
- (iii) recommendations are made to the Board with respect to the quantum of bonuses to be paid to executives.

To the extent that the Company adopts a different remuneration structure for its non-executive directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

(c) Non-Executive Directors

The Committee is to ensure that:

- (i) fees paid to non-executive directors are within the aggregate amount approved by shareholders and make recommendations to the Board with respect to the need for increases to this aggregate amount at the Company's AGM;
- (ii) non-executive directors are remunerated by way of fees (in the form of cash and/or superannuation benefits);

- (iii) non-executive directors are not provided with retirement benefits other than statutory superannuation entitlements; and
- (iv) non-executive directors are not entitled to participate in equity-based remuneration schemes designed for executives without due consideration and appropriate disclosure to the Company's shareholders.

To the extent that the Company adopts a different remuneration structure for its non-executive directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.

(d) Incentive Plans and Benefits Programs

The Committee is to:

- (i) review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the Committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans including making and authorising grants, in accordance with the terms of those plans;
- (ii) ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and
- (iii) continually review and if necessary improve any existing benefit programs established for employees.

7 CODE OF CONDUCT

7.1 Introduction

This is the corporate code of conduct for the Company and is designed to maintain confidence in the integrity of the Company and the responsibilities and accountability of individuals for reporting and investigating reports of unethical practices.

7.2 Responsibility to Shareholders

The Company aims:

- (a) to increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community; and
- (b) to comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

7.3 Integrity and Honesty

Directors, management and staff shall deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and observe the rule and spirit of the legal and regulatory environment in which the Company operates.

7.4 Respect for the Law

The Company is to comply with all legislative and common law requirements which affect its business, in particular those in respect of occupational health and safety, the environment, native title and cultural heritage.

Any transgression from the applicable legal rules is to be reported to the Board (or, in the instance of the appointment of a Managing Director or equivalent, that party) as soon as a person becomes aware of such a transgression.

7.5 Conflicts of Interest

Directors, management and staff must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company.

Where a real or apparent conflict of interest arises, the matter should be brought to the attention of:

- (a) the Chairperson, in the case of a Board member;
- (b) the Board (or, in the instance of the appointment of a Managing Director (or equivalent, that party), in the case of a member of management;
- (c) a supervisor, in the case of an employee,

so that it may be considered and dealt with in an appropriate manner for all concerned.

7.6 Protection of Assets

Directors, management and staff must protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.

7.7 Confidential Information

Directors, management and staff must respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated.

7.8 Employment Practices

The Company will employ the best available staff with skills required to carry out vacant positions.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

7.9 Responsibility to the Community

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

7.10 Responsibility to the Individual

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

7.11 Obligations Relative to Fair Trading and Dealing

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

7.12 Compliance with the Code of Conduct

Any breach of compliance with this Code of Conduct is to be reported directly to the Chairperson (and, in the instance of the appointment of a Managing Director (or equivalent) that party), as appropriate.

7.13 Periodic Review of Code

The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff especially in relation to any areas of difficulty which arise from this Code of Conduct and any other ideas or suggestions for improvement of it.

Suggestions for improvements or amendments to this Code of Conduct can be made at any time by providing a written note to the Board (or, in the instance of the appointment of a Managing Director (or equivalent) that party).

8 POLICY FOR DEALING IN THE COMPANY SECURITIES

8.1 Introduction

In order to preserve the reputation and integrity of the Company, it is imperative that when people associated with the Company deal with the Company's securities those dealings are not only fair, but are seen to be fair.

This policy statement summarises the law relating to insider trading and sets out the policy of the Company on Directors and employees dealing in the Company's shares and options.

8.2 The Insider Trading Prohibition

If Directors or employees have "price-sensitive information" relating to the Company which has not been published or which is not otherwise "generally available", it is illegal to:

- (a) buy, sell or otherwise deal in the Company's securities (including shares or options);
- (b) advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell the Company's securities (including shares or options); or
- (c) pass on information to any other person, if the Director or employee knows or ought to reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) the Company's securities (including shares or options).

It is the responsibility of each Director and employee to ensure that they do not do any of the things prohibited by insider trading laws.

It is therefore an express prohibition to engage in short term trading of the Company's securities.

8.3 What is "Price Sensitive Information"?

Price-sensitive information means information relating to the Company that would, if the information were publicly known, be likely to:

- (a) have a material effect on the price or value of the Company's securities (including shares or options); or
- (b) influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's securities (including shares or options).

Examples of possible price-sensitive information include, but are not limited to:

- (a) the financial performance of the Company, relative to budget;
- (b) entry into or termination of a material contract (such as a major joint venture);
- (c) a material acquisition or sale of assets by the Company;
- (d) an actual or proposed takeover or merger;
- (e) analytical results;
- (f) drilling results;
- (g) an actual or proposed change to the Company's capital structure;
- (h) a proposed dividend or a change in dividend policy; and
- (i) a material claim or other unexpected liability.

8.4 When is the Information "Generally Available"?

Information is generally available if:

- (a) it consists of readily observable matter;
- (b) it has been made known in a manner likely to bring the information to the attention of people who commonly invest in securities of a kind whose price or value might be affected by the information and since it was made known, a reasonable period for it to be disseminated among such persons has elapsed;
- (c) it is derived from information which has been made public; or
- (d) it consists of observations, deductions, conclusions or inferences made or drawn from other generally available information.

8.5 Consequences for Breach of the Insider Trading Prohibition

Breach of the insider trading prohibition by Directors or employees, or people connected to Directors or employees may incur criminal and civil liability.

Breach of insider trading law or this policy will also be regarded by the Company as serious misconduct which may lead to disciplinary action and/or dismissal.

9 DISCLOSURE POLICY AND COMMUNICATIONS STRATEGY

The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company.

All shareholders receive the Company's annual report, and may also request copies of the Company's half-yearly and quarterly reports.

The Company also encourages full participation of shareholders at any general meeting of shareholders, not only the annual general meeting.

In accordance with the disclosure requirements of the Corporations Act 2001 and Australian Stock Exchange ("ASX") Listing Rules, the Company will follow the following three main forms of information disclosure:

- (a) continuous disclosure - which is its core disclosure obligation and primary method of informing the market and shareholders;
- (b) periodic disclosure - in the form of full-year and half-year reporting and the quarterly reporting of exploration, production and development information together with corporate activities; and
- (c) specific information disclosure - as and when required, of administrative and corporate details, usually in the form of ASX releases.

Directors are committed to the promotion of investor confidence by ensuring that trade in the Company's securities takes place in an efficient, competitive and informed market.

As such, the Company will comply with the continuous disclosure obligations contained in the applicable Listing Rules of ASX and in so doing will immediately notify the market by announcing to ASX, when its securities are listed, any information in relation to the business of the Company that a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of securities.

10 RISK MANAGEMENT POLICY

The Company has developed a risk management policy which sets out a framework for a system of risk management and internal compliance and control. The policy enables the Company board to identify, assess, monitor and manage risk. The following areas of risk will be reviewed by the Board:

- (a) accounts – ensure compliance with the requirements to prepare, dispatch and file annual accounts as laid down by the Corporations Act 2001, Listing Rules as applicable, and the Australian Accounting Standards;
- (b) care and diligence and honestly without conflict – ensure that the Board can be seen to be acting in a manner that is in the best interests of the Company and its shareholders. Ensure the Company is operated in a safe and sound manner in conformity with all applicable regulatory requirements;

- (c) Company illegally financing share acquisitions in its own shares – the Corporations Act prohibits companies from providing financial assistance to its Directors, officers or shareholders to enable them to purchase shares in their own companies;
- (d) insider trading – the law imposes a number of significant restrictions on directors and employees when they deal in their own company’s shares. As fiduciaries they must not use their position for their own gain or for the gain of any person other than the corporation;
- (e) insolvent trading – serious consequences flow if the Company trades while insolvent, including personal liability against Directors, uncommercial contracts and employee entitlements. The directors must not permit the Company to trade whilst insolvent;
- (f) offering securities – there are positive obligations on directors and officers to ensure that offer documents and statements made in connection with the sale of securities are not false or misleading and do not contain material omissions;
- (g) reasonable expectation of stakeholders – the Company will review the material business risks associated with the reasonable expectations of stakeholders (in addition to stakeholder’s strict legal rights);
- (h) related party transactions – the Corporations Act contains strict limitations on the giving of financial benefits by public companies to related parties and their directors. Contraventions of these provisions can attract a civil penalty; and
- (i) takeovers – the directors are bound by fiduciary duties to the Company and are bound to make full disclosure of relevant facts to all shareholders without regard to any element of favouritism in support of the interests of any party.