



BOARD CHARTER

1. ROLE OF THE BOARD

The role of the Lucapa Diamond Company Limited (“Lucapa” or “the Company”) Board is to provide the strategic direction of the Company and oversee management’s implementation of such. The Board regularly measures the progress of management on delivery of the strategic direction.

2. ROLE OF MANAGEMENT

Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be part of management.

The role of management is to implement the strategic direction provided by the Board. In particular, the Managing Director, or equivalent, is responsible for the day-to-day activities of the Company in implementing the strategic direction.

3. RESPONSIBILITIES OF THE BOARD

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

- (a) overseeing the Company, including its internal compliance and control, risk oversight and management, legal compliance, *Code of Conduct* and accountability systems;
- (b) appointing the Managing Director, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the Managing Director, or equivalent;
- (c) ratifying the appointment and, where appropriate, the removal of Key Management Personnel, including the chief financial officer and the company secretary;
- (d) evaluating the performance of the Managing Director including monitoring, reviewing and challenging management’s performance and implementation of strategy;
- (e) ensuring the Company’s *Policy and Procedure for Selection and (Re)Appointment of Directors* is reviewed regularly and implemented accordingly;
- (f) satisfying itself that management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- (g) assessing the effectiveness of management’s implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- (h) ensuring appropriate resources are available to management;
- (i) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (j) approving the annual budget of the Company;
- (k) monitoring the financial performance of the Company;
- (l) ensuring the integrity of the Company’s financial (with the assistance of the Audit Committee) and other reporting through approval and monitoring;
- (m) 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;
- (n) appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided

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that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;

- (o) engaging with the Company's external auditors and Audit Committee (if applicable);
- (p) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, social, native title, cultural heritage, and occupational health and safety and governance; and
- (q) make regular assessment of whether each non-executive director is independent in accordance with the Company's *Policy on Assessing the Independence of Directors*; and
- (r) monitoring the diversity policy and if appropriate, setting measurable objectives for achieving diversity, and in particular gender diversity, and to assess on at least an annual basis the objectives and the progress towards achieving the objectives.

The Board may not delegate its overall responsibility for the matters listed above. However, it may delegate to management the responsibility of the day-to-day activities in fulfilling the Board's responsibility provided those matters do not exceed the Materiality Threshold as defined below.

Directors are encouraged to request information from senior executives where they consider such information necessary to make informed decisions.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities. It is usual practice for the Board to meet at least quarterly.

4. 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 or may potentially breach 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%.

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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) any default, should it occur may trigger any of the quantitative or qualitative 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**").

5. STATEMENT OF POSITION OR AUTHORITY

The division of responsibilities between the Chairperson, the non-executive directors, the Managing Director and management is set out below.

6. RESPONSIBILITIES OF THE CHAIRPERSON

The Chairperson is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all Directors in relation to issues arising at Board meetings. The Chairperson is also responsible for arranging Board performance evaluation. The Chairperson should facilitate the effective contribution of all Directors and promote constructive and respectful relations between Directors and between the Board and management.

Any other position which the Chairperson may hold either inside or outside the Company should not hinder the effective performance of the Chairperson in carrying out their role as Chairperson of the Company.

7. Responsibilities of the Managing Director

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out their responsibilities the Managing Director must report to the Board in a timely manner on those matters included on the Company's risk profile, all relevant operational matters and any other matter that is likely to have 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 also responsible for appointing and, where appropriate, removing senior executives, including the chief financial officer and the company secretary, with the approval of the Board.

7. RESPONSIBILITIES OF NON-EXECUTIVE DIRECTORS

The Board determines whether each of the non-executive directors of the Company is independent on a regular basis in accordance with its *Policy on Assessing the Independence of Directors*. The Board recognises the importance of the appropriate balance between independent and non-independent

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representation on the Board. In making this determination, the Board takes into account the skills and experience required as per the Board skills matrix, in the context of the Company's operations and activities.

The independent Directors may meet without other Directors present, if appropriate.

The non-executive Directors may meet without senior management present at times scheduled from time to time. Such meetings may be facilitated by the Chairperson.

8. RESPONSIBILITIES OF DIRECTORS AND OFFICERS

Individual Directors should devote the necessary time to the tasks entrusted to them. All Directors should consider the number and nature of their directorships and calls on their time from other commitments.

Directors and officers of the Company should be made aware of their legal obligations.

9. RESPONSIBILITIES OF MANAGEMENT

Management is responsible for supporting the Managing Director and to assist the Managing Director implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chairperson.

Authorised on behalf of the Lucapa Board of Directors.

Stephen Wetherall
Chief Executive Officer & Managing Director

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