

## **AMERICAN RARE EARTHS LIMITED**

### **DIRECTOR SELECTION & APPOINTMENT POLICY & PROCEDURE**

#### **Introduction**

Ultimately the directors are elected by the shareholders of American Rare Earths Limited. However, the Board plays an important role in the selection and recommendation of potential directors for shareholder vote. While the Board has not delegated this function to a Board committee, it has a role to consider succession planning issues generally in respect of the company.

#### **Policy for Nomination and Appointment of Directors**

The constitution and the ASX Listing Rules set out processes for the nomination of directors. In addition to adhering to these requirements, the Board will regularly, but at least annually, review the size and composition of the Board to ensure that it continues to have the right mix of experience and competencies to fulfil its responsibilities effectively. The type of desirable competencies of directors is set out below. The selection and appointment process is detailed below.

#### **Selection and Appointment Process**

In undertaking the review referred to above, the Board will determine if a director should be appointed to the Board either as an additional director or to fill a vacancy.

The Board may, with the help of external consultants, if necessary, and with internal industry experience, select a candidate or candidates. A candidate's suitability will be measured against the general criteria set out below. To meet the current needs of the company, and to best complement Board effectiveness, additional or specific criteria may be utilised.

A candidate selected by the Board will be approached by the Chairman with or without the Managing Director to determine his or her interest in joining the Board. The candidate will be given information about the role, responsibility, contribution and time commitment such an appointment would entail and the remuneration, terms and conditions of the appointment. A candidate for appointment as a non-executive director must indicate if he or she has sufficient time to devote to the tasks required of a director of the company. There is a written agreement with each director and senior executive of the Company setting out the terms of their appointment.

If the candidate accepts an appointment, the Board will appoint the new director during the year, and in accordance with the constitution and the ASX Listing Rules, that person will then stand for election by shareholders at the next annual general meeting of the company. Prior to the meeting, shareholders will be given the information required by law to consider the candidate for election.

#### **Competencies – Criteria**

The following broad categories have been identified as desirable competencies of Board members:

- industry knowledge or ability to acquire that knowledge;
- independence determined in accordance with the company's policy on independence (where relevant);
- personal and professional integrity, good communication skills and ability to work harmoniously with fellow directors and management;
- demonstrated and recognised knowledge, experience and competence in business including financial literacy;
- ability to analyse information, think strategically and review and challenge management in order to make informed decisions and assess performance.

## **Consideration of Other Directorships and Time Commitments**

The Board regularly reviews the time required from non-executive directors and whether directors are meeting that requirement.

Non-executive directors are required to inform the Chairman before accepting any new appointments as directors.

Re-election of Directors by shareholders – Information Requirements

### Annual General Meeting (AGM) – Director re-election requirements by the Board

Each director seeking re-election by shareholders at the AGM should provide the Board with the following information:

- details of their other commitments and an indication of the time involved
- specific acknowledgement that they will have sufficient time to meet their commitments to the Company

### Annual General Meeting (AGM) - Explanatory Notes Requirements

The names of the directors submitted for re-election at the AGM are accompanied by the following information to enable the shareholders to make an informed decision on their election:

- a statement by the Board as to whether it supports the nomination of the proposed candidate);
- biographical details, including competencies and qualifications, and information sufficient to enable an assessment of the independence of the candidate;
- directorships held
- particulars of other positions which involve significant time commitments;
- details of relationships between
  - the candidate and the Company, and
  - the candidate and directors of the Company.