

# SOUTHSTONE MINERALS LIMITED

## CORPORATE GOVERNANCE GUIDELINES

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### Standards for Director Qualification

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The Board of Directors (the “**Board**”) of Southstone Minerals Limited (“**Southstone**”) will have at least one independent director at all times. A director will not qualify as independent unless the Board affirmatively determines that the director has no material relationship with Southstone, either directly or as a partner, shareholder or officer of an organization that has a relationship with Southstone. In order to make this determination, the Board will broadly consider all relevant facts and circumstances and will apply the following standards:

- (a) A director will not be considered independent if the director is an employee, or if the director's immediate family member is an executive officer of Southstone until three years after the end of such employment relationship.
- (b) A director who receives, or whose immediate family member receives, more than \$100,000 per year in director compensation from Southstone will not be considered independent until three years after he or she ceases to receive more than \$100,000 per year in such compensation.
- (c) A director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former independent auditor of Southstone will not be considered independent until three years after the end of the affiliation or the employment or auditing relationship.
- (d) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, Southstone for property or services in an amount which, in any single fiscal year, exceeds \$100,000, will not be considered independent until three years after falling below such threshold.

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### Director Responsibilities

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Directors are expected to exercise their business judgment and to act in what they reasonably believe to be in the best interests of Southstone and its shareholders. In order to perform this responsibility, directors may rely on the honesty and integrity of Southstone’s executive officers and its outside advisors and auditors. The directors are entitled to the benefits of indemnification to the fullest extent permitted by law.

Directors are expected to attend Board meetings and Committee meetings, for Committees on which they serve, and to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. To the extent feasible, information and data important to the Board's understanding of the business to be conducted at a Board or

Committee meeting should be distributed in writing to the directors before the meeting and directors should be prepared to contribute substantively at the meeting by reviewing these materials in advance of the meeting.

Directors should advise the Chief Executive Officer in advance of accepting an invitation to serve on another public company board or if the principal responsibility they held when they were elected to the Board changes.

The executive officers of Southstone will recommend to the Board the long-term strategic plan for the major acquisitions and divestitures and major changes to Southstone's capital structure. With respect to all other matters, the Chief Executive Officer will arrange the agenda for Board meetings and shall report to the Board and arrange for other executives and advisors to report to the Board. Each Board member is free to suggest the inclusion of items on the agenda of any Board Meetings. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review Southstone's long-term strategic plans, including succession plans, and the principal issues that Southstone will face in the future during at least one Board meeting each year.

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### **Director Access to Management and Independent Advisors**

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Directors have full, free and direct access to the management of Southstone. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of Southstone and will, to the extent not inappropriate, copy the Chief Executive Officer on any written communications between a director and an officer or employee of Southstone. Such communications will not be directive other than as relates to routine administrative matters. In addition, the Board expects the executive officers of Southstone to attend and participate at each board meeting.

The Board and each Committee of the Board have the authority to hire independent legal, financial or other advisors as they may deem necessary.

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### **Director Compensation**

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Management and non-independent directors of the Board receive no compensation for serving as a director. The form and amount of compensation for independent directors will be determined annually by the Board. In making this annual determination, the Board will consider that directors' independence may be jeopardized when directors' compensation exceeds what is customary.

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### **Director Orientation and Continuing Education**

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All new directors will be oriented on Southstone in a manner to be determined by the Chief Executive Officer. The Board will consider whether or not continuing education for all, or certain directors, may be warranted. Southstone will pay reasonable expenses for a director's participation in continuing education programs approved by the Board.

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**Management Succession**

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The non-management directors will oversee selection of the Chief Executive Officer, after consultation with the presiding Chief Executive Officer, and review the performance of the Chief Executive Officer on an annual basis. Additionally, the non-management directors will set policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

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**Annual Performance Evaluation of the Board**

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The Board will conduct an annual self-evaluation to determine whether it and its Committees are functioning effectively.