

MYSTATE LIMITED (MSL) BOARD EVALUATION POLICY

1. Purpose:

To detail Board Evaluation processes to be utilised by MSL to drive efficient and effective Board processes.

2. Responsibility:

2.1 The Chairman, each Director and the Company Secretary of the Company has a duty to assist with the implementation of this Policy to ensure Board processes are effective and efficient, adding real value to the Company.

2.2 The Corporate Governance and Nomination Committee is responsible for strengthening the governance framework of the Company through an ongoing assessment of the composition and effectiveness of the Board as a whole. This includes developing and recommending to the Board effective processes for reviewing and assessing the performance of:

- (i) the Board as a whole,
- (ii) Board Committees,
- (iii) the Chairman and each of the Directors

This Policy is designed to assist with these processes.

3. Why the Board has chosen to evaluate its performance

The Board has chosen to evaluate its performance in order to assist with:

- discharging Director accountability to shareholders
- improving Director relationships with shareholders
- improving Board harmony and dynamics
- ensuring Board processes are effective and efficient
- adding value to the Company
- anticipating issues that may affect the Company in the future
- assist with Board succession planning and skills assessment
- formulation of Board Committee membership
- induction and training requirements for new Board members

4. The Board Evaluation Processes

The Company has chosen to adopt the following Board Evaluation Processes:

- Annual individual Director Questionnaire developed by the Corporate Governance and Nomination Committee, approved by the Board and then

distributed to Directors with results collated by the Company Secretary, for report to the Board.

- Chairman to hold one-on-one discussion with each member of the Board with the Chairman to report to the Board on the outcomes from this process.
- Corporate Governance and Nomination Committee to review the completed Board Skills Assessment matrix completed annually by Directors to assist the Board Succession Planning process, also overseen by the Corporate Governance and Nomination Committee. This review is designed to assist with deliberations regarding the Board's performance as a whole.
- Undertake an external Board Performance Assessment process each year, with the first such review to take place in 2010.

The Chairman will have a pivotal role in the above Board Assessment processes, including:

- setting the environment for a positive review
- agreeing precise details of the process with Directors
- facilitating debate
- formulating the desired outcomes
- actively participating
- providing fair and candid feedback
- follow-up of review recommendations
- informing shareholders

The governance foundation of the Company is based on the following policies, which will be used as the basis for the Board Assessment process:

- MSL Role of the Board
- MSL Role of the Chairman
- MSL Role of Individual Directors
- MSL Role of the MD/CEO
- MSL Code of Personal Conduct
- MSL Corporate Code of Conduct

5. Monitor, Review and Reporting

The Company's Corporate Governance and Nomination Committee will review annually the Company's adherence to this Policy and report to the Board in this regard.

It is expected that the Board Evaluation process will identify the key issues and any problems regarding the workings of the Board. At the conclusion of the process, the Chairman will report to the Board, either verbally or in writing, identifying the issues and making recommendations for change.

It is expected that the Board will agree which recommendations are to be implemented, when it is proposed to do so and who is to take responsibility for their implementation.

The Company will disclose details of its Board Evaluation processes in its Annual Report, including details of compliance attainment with the ASX Corporate Governance Council's Principle 2.

6. References:

- ASX Corporate Governance Council's Principles and Recommendations (2007) – Principle 2
- Chartered Secretaries Australia – Assessing Board Performance course material
- MSL Corporate Governance and Nomination Committee Charter
- MSL Role of the Board
- MSL Role of the Chairman
- MSL Role of Individual Directors
- MSL Role of the MD/CEO
- MSL Code of Personal Conduct
- MSL Corporate Code of Conduct
- MSL Director Induction Procedures

7. Implementation Date

This Policy was approved by the Board on 24 February 2009.