

Board Charter

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INTRODUCTION

The board of directors (**Board**) of Avanco Resources Limited (**the Company or the Group**) considers that the essential responsibility of Company directors (**Directors**) is to oversee the Company's activities for the benefit of its shareholders (**Shareholders**), employees and other stakeholders and to protect and enhance Shareholder value.

This Board charter (**Charter**) explains the Group's commitment to corporate governance and defines the respective roles, responsibilities and powers of the Board and Management.

The Board intends that the Group should adopt best practice principles and comply with all applicable laws, including requirements of the Australian *Corporations Act 2001* (Cth) (**Corporations Act**) and the Australian Stock Exchange (**ASX**) Listing Rules. In particular, the Group endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (**ASX Principles**).

THE BOARD

RESPONSIBILITIES

The Board assumes responsibility for the stewardship of the Group and the overall direction and corporate governance of the Group. The Board is also responsible for:

- a) providing leadership and setting the corporate strategy and objectives of the Group;
- b) overseeing and monitoring Management's achievement of the Group's strategic goals and objectives, and monitoring Management's general performance;
- c) appointing, and, if necessary, removing senior executives including the Managing Director (**MD**), the Chief Financial Officer of the Group (**CFO**) or equivalent, the Company Secretary of the Group (**Company Secretary**); Executive Directors and Non-Executive Directors.
- d) appointing the Chair of the Board;
- e) providing security holders with all material information in its possession relevant to a decision on whether or not to elect or re – elect a director;

- f) succession planning for the Managing Director
- g) reviewing and approving the Group's business plans, budgets and financial plans, including major capital expenditure initiatives;
- h) approving and monitoring financial and other reporting, including the annual, half yearly and if applicable, quarterly financial reports;
- i) identifying the principal risks of the Group's business and ensuring the implementation of an appropriate risk management framework;
- j) setting the risk appetite within which the Board expects Management to operate;
- k) overseeing the Group's process for making timely and balanced disclosure of all material information concerning the entity that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- l) approving the Group's remuneration framework;
- m) ensure that the Company has a diversity policy with measurable objectives for achieving gender diversity and assess annually both the objectives and progress of the Company in achieving them;
- n) monitoring and overseeing the effectiveness of the Group's governance practices;
- o) ensure that the Company has procedures in place which enable the Board to adequately exercise its powers and discharge its responsibilities as set out in this Charter;
- p) approving significant changes to the organisational structure;
- q) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules);
- r) meeting with the external auditor, at their request, without management being present; and
- s) ensuring compliance in all regulatory framework (ASX listing rules, Corporations Act, etc.)

COLLECTIVE ROLE OF NON EXECUTIVE DIRECTORS

The collective role of Non-Executive Directors is to:

- a) assist with formulation of the Company's strategy, and where necessary, challenge the Company's strategy;
- b) scrutinise Management's performance;
- c) where appropriate, challenge proposals presented by Management;
- d) where necessary, request any additional information required to support informed decision-making; and
- e) take reasonable and proper steps to satisfy themselves that there are adequate and proper financial controls and systems of risk management and internal compliance, and that the controls are maintained and the systems robust.

INDIVIDUAL ROLE OF EXECUTIVE DIRECTORS

The individual role of executive directors is to:

- a) ensure that reasonable and proper steps have been taken to adequately inform themselves as to the subject matter of any decision required to be made as a director of the Company; and
- b) keep under review their capacity to continue to meet their obligations as director of the Company, including an ongoing assessment of their own performance, other commitments and state of health.

POWERS OF THE BOARD

In addition to matters expressly required by law to be approved by the Board, powers specifically reserved for the Board are as follows:

- a) approval of corporate strategy, objectives and annual budgets;
- b) determination of capital and non-capital acquisitions and divestitures in accordance with approval frameworks;
- c) determination and adoption of documents that are required by the Group's constitutional documents, statutes and other external regulations (including the publication of reports);
- d) authorising the issue of any shares, options, equity instruments or other securities; and
- e) authorising expenditure in excess of discretionary limits delegated to the Managing Director.

Subject to the limitations imposed by the Group's constitutional documents, statutes and other external regulations, the Board remains free to alter the matters reserved for its decision. The Board will, taking into consideration the Committee's recommendations, make the final determination on the criteria to be adopted for the selection of candidates, and on whether it will support the appointment of such candidates to the Board.

RESPONSIBILITIES OF THE BOARD IN RELATION TO NOMINATION MATTERS

BOARD APPOINTMENTS, RE-ELECTIONS AND PERFORMANCE

The Board has not established a Nomination Committee at this time. Until such time as the Board determines that it is appropriate to establish a Nomination Committee, the function of the Nomination Committee as set out in this Charter will be performed by the Board.

In assisting the Board in the appointment, re-election and performance of Directors, the Committee when established will:

- a) develop and oversee the formal process for the search and selection of new directors for nomination for appointment by the Board, including carrying out appropriate checks before recommending a candidate to the Board for election;
- b) consider whether Directors have the appropriate mix of skills and competencies to enable the Board to discharge its responsibilities effectively;
- c) develop Board succession plans so that an appropriate balance of skills, experience, expertise and diversity is maintained;
- d) undertake appropriate checks before recommending a candidate for election as a director;
- e) ensure that shareholders receive all material information relevant to an informed decision on whether or not to elect a director;
- f) ensure that each director and senior executive has a written agreement with the Company which sets out the key terms of their appointment;
- g) review the time commitment required from Non-Executive Directors and whether Directors are meeting that commitment; and

- h) develop and recommend to the Board the process for periodically evaluating the performance of the Board, its Committees and its individual directors. A member of the Committee will not participate in the review of his or her own performance.

In selecting and recommending the appointment of new Directors, the Committee will mainly contemplate:

- a) the competencies, skills and diversity that the Board considers to be necessary for the Board, as a whole, to possess;
- b) the competencies, skills and diversity that the Board considers each existing Director to possess;
- c) any gaps in the collective skills of the Board and how this will be addressed (eg through professional development and/or succession planning); and
- d) the competencies and skills each new nominee will bring to the boardroom.

In addition, any candidate must confirm that they have the necessary time and resources to devote to their Board position. In support of this confirmation, the candidate must provide the Committee with details of other commitments and an indication of time involved.

BOARD PROCESSES

COMPOSITION

In accordance with the Company's Constitution the Board will have a minimum of 3 and maximum of 10 Directors.

- a) The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.
- b) In appointing new members to the Board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.
- c) Where practical, the majority of the Board is comprised of non-executive Directors. Over time the target is that at least 50% of the Board will be independent. An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with, the exercise of independent judgement.
- d) Directors must disclose their interests. The independence of the Directors should be regularly assessed by the Board in light of the interests disclosed by them.
- e) Directors are expected to bring their independent views and judgement to the Board and must declare immediately to the Board any potential or active conflicts of interest.
- f) Directors must declare immediately to the Board, and the Board will determine whether to declare to the market, any loss of independence.
- g) No member of the Board may serve for more than three years or past the third annual general meeting following their appointment, whichever is the longer, without being re-elected by the shareholders.
- h) Prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated by

the Nomination Committee to ensure that they continue to contribute effectively to the Board.

- i) The Nomination Committee members should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

The Nominations Committee is responsible for making recommendations to the Board relating to the appointment and retirement of Directors. The Board will refer to the criteria for appointment of new Directors reviewed and recommended by the Nominations Committee

- a) At the Annual General Meeting in every year one-third of the Directors for the time being, or, if their number is not nor a multiple of 3, then the number nearest to one-third, and any Director not in such one-third who has held office for 3 years or more (except a Managing Director), must retire from office.
- b) A retiring Director is eligible for re-election
- c) When recommending a Director for re-election, the Board will balance its composition, skills and competences with the performance, skills and competence of the incumbent Director
- d) A new Director will receive a formal letter of appointment setting out the key terms and conditions relative to the appointment.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

- a) The Board must be provided with the information it needs to discharge its responsibilities effectively.
- b) Management must supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.
- c) Any Director may take such independent legal, financial or other advice as they consider necessary at the Group's cost. Any Director seeking independent advice must first discuss the request with the Chairman.

MEETINGS

- a) There must be two Directors present at a meeting to constitute a quorum.
- b) The Board will schedule formal Board meetings at least quarterly and hold additional meetings, including by telephone, as may be required.
- c) Non-executive Directors may confer at scheduled times without management being present.
- d) The minutes of each Board meeting shall be prepared by the Company Secretary, approved by the Chairman and circulated to Directors after each meeting.
- e) The Company Secretary shall distribute supporting papers for each meeting of the Board as far in advance as practicable.
- f) Minutes of meetings must be approved at the next Board meeting.
- g) Further details regarding board meetings are set out the Company's Constitution.

CONFLICTS

The Board has developed the following protocol in relation to disclosure of interests:

- a) Directors must disclose all interests and other directorships;
- b) Directors may choose to submit standing notices of interest to all Board members, or must disclose their interest in a matter being considered by the Board at that time;
- c) Directors must warn of any potential conflict with duty to another company and ensure any change in circumstances is advised;
- d) Directors must consult with the Chairman prior to a Board meeting if they have a sufficiently material personal interest, or a conflict of interest, in a matter that is being considered at that Board meeting; and
- e) Directors must obtain the Group's consent before disclosing Group information to another company or third party.

In accordance with the ASX Listing Rules, each Director is required to enter into an agreement with the Company to provide details of his or her 'relevant interest' in the Company's securities on appointment, within five business days (or such lesser period as set out in the relevant agreement) of a change in the 'relevant interest', and following retirement. Any change in a Director's interest must be notified to the Australian Securities Exchange within five business days by lodgement of an Appendix 3Y.

Each Director has a duty to mitigate conflicts of interest, and, as noted above, must notify the Board of any potential conflicts he or she may have, including any which may arise as a result of his or her duty to another company.

The Managing Director does not participate in deliberations of the Board or a Committee when matters could affect his or her position.

COMMITTEES

To assist the Board in fulfilling its duties and responsibilities, it has established two Committees:

- a) Remuneration Committee and Audit Committee;
- b) The charter of the Committees is approved by the Board and reviewed following any applicable regulatory changes;
- c) The Board will ensure that the Committees are sufficiently funded to enable them to fulfil their roles and discharge their responsibilities;
- d) Members of Committees are appointed by the Board. The Board may appoint additional Directors to Committees or remove and replace members of Committees by resolution;
- e) The minutes of each Committee meeting shall be provided to the Board at the next occasion the Board meets following approval of the minutes of such Committee meeting;
- f) Where the Board does not consider that the Company will gain any benefit from a particular separate committee, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee; and
- g) Minutes of all Committee meetings are made available to all Directors.

Once the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude, to assist the Board in fulfilling its duties, the Board will establish the following committees, each with written terms of reference: Risk Committee and Nomination Committee.

REVIEW OF BOARD PERFORMANCE

The Board will periodically conduct a formal performance evaluation of the Board as a whole, its Committees, the Chairman and its individual Directors. The review will consider:

- a) the performance of the Board against the requirements of this Charter;
- b) the performance of the Board Committees against the requirements of the relevant committee charter; and
- c) the individual performances of the Chairperson, Managing Director and the Directors.

The Remuneration Committee will be responsible for determining the scope of the performance evaluations and how they are carried out.

ROLE AND RESPONSIBILITIES OF CHAIRMAN

The Chairman

- a) is appointed by the Directors;
- b) where practical will be an independent Director;
- c) will not exercise the role of CEO or MD of the Group; and
- d) will not have previously held the position of MD of the Group.

The Board will identify an independent Non-Executive Director to act as Chairman in the event that the Chairman is unable to do so for any reason. The Board will periodically keep the Shareholders informed through appropriate disclosure of its choice in this regard.

The Chairman is responsible for:

- a) providing leadership to the Board and the Group;
- b) developing a plan for the succession of the Chairman and periodically evaluating the plan;
- c) overseeing the Board in the effective discharge of its supervisory role;
- d) the efficient organisation and conduct of the Board's function and meetings;
- e) setting the agenda for each meeting in consultation with the MD and the Company Secretary (any Director may request that an item be added to the agenda);
- f) calling and chairing Board meetings and Shareholder meetings;
- g) arranging regular evaluation of the performance of the Board and its Committees and of individual Directors; and
- h) the promotion of constructive and respectful relations between Board members and between the Board and Management.

The Chairman has authority to act and speak for the Board between meetings, including engaging with the MD and conducting monitoring activities. The Chairman will report to the Board and Committee chairman, as

appropriate, on decisions and actions taken between meetings of the Board.

MANAGEMENT

POWERS OF THE MANAGING DIRECTOR

Responsibility for the day-to-day management of the Group is assigned by the Board to the Managing Director (MD).

Beyond the Powers reserved to the Board, the Board also assigns to the MD all authority to achieve the corporate objectives approved by the Board. The MD is free to take all decisions and actions which further the corporate objectives, which in his/her judgement, are reasonable having regard to the MD's authority limits.

The MD is accountable to the Board for the authority that the Board assigns to the MD, and for the performance of the Group. The Board will monitor the decisions and actions of the MD and the performance of the Group to gain assurance that progress is made towards the corporate objectives within the spirit of the MD's authority limits.

RESPONSIBILITIES OF MANAGING DIRECTOR

Beyond the powers and responsibilities reserved for the Board in this Charter, the Board delegates responsibility for the management of the Group's business activities to the MD. This includes responsibility for:

- a) managing the business of the Group to ensure its ongoing viability and integrity;
- b) implementing the strategic objectives set by the Board;
- c) ensuring that the business operates within the risk appetite set by the Board;
- d) ensuring that the Board is provided with accurate, timely and clear information required by the Board to perform its responsibilities; and
- e) all other aspects of the day to day running of the entity.

The MD will have a formal employment agreement describing his/her term of office, duties, rights and responsibilities and entitlements on termination.

THE COMPANY SECRETARY

The Company Secretary is responsible to the Board, through the Chairman, on all governance matters and the proper functioning of the Board. The Company Secretary supports the effectiveness of the Board by:

- a) advising the Board and its committees on governance matters;
- b) monitoring that Board and committee policy and procedures are followed;
- c) co-ordinating the completion and despatch of Board agendas and briefing papers;
- d) ensuring that the business at Board and committee meetings is accurately recorded in the minutes; and
- e) maintaining compliance systems which ensure the Board and the Group adhere to the ASX Listing Rules and the Corporations Act.

ADMINISTRATIVE MATTERS

The Company Secretary attends meetings of the Board as minute secretary.

Management will be invited to attend meetings (or parts of meetings) from time to time where the Board considers their involvement will be of assistance to the consideration of items of business before the Board. In this regard, members of Management may, at the invitation of the Board, attend Board meetings on a regular basis even though they are not members of the Board.

All minutes of the Board are signed by the Chairman as a true and correct record and are then to be entered into the minute book and will be open for inspection by any Director.

All attendees at Board meetings are, as officers and/or fiduciaries, required to keep all information presented to or discussed at Board meetings confidential (whether written or oral).

The Board papers will be collated and circulated to Directors by the Company Secretary and the Company Secretary will supervise the filing and storage of all Board papers.

APPROVAL AND ADOPTION

This Board Charter was updated and approved by the Board on 29 March 2016. Any amendments to this Board Charter and subject to approval by the Board.