

Remuneration Committee Charter

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CONTENTS

- Introduction
- Role
- Access to information and independent advice
- Composition and meetings of the committee
- Responsibilities in respect of remuneration matters
- General
- Review of charter
- Approval and adoption

INTRODUCTION

This Charter sets out the responsibilities delegated by the board (**Board**) of Directors (**Directors**) of Avanco Resources Limited (**The Company or The Group**) to the Remuneration Committee (**Committee**) and details the manner in which the Committee will operate.

ROLE

ROLE OF COMMITTEE IN RESPECT OF REMUNERATION MATTERS

The Company seeks to attract and retain high quality directors and to attract, retain and motivate senior executives, whilst maintaining value for security holders. The role of the Committee is to assist the Board by:

- a) providing support and advice to the Board on the level and composition of remuneration for executives, non-executive directors and senior management having regard to the guidelines set out in the ASX Principles (copy attached at **Annexure A**);
- b) reviewing and approving the executive remuneration policy to enable the Company to attract and retain directors, executives and senior management who will create value for shareholders;
- c) ensuring that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- d) recommending to the Board the remuneration of directors, executives and senior management;
- e) fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- f) reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- g) reviewing and approving the remuneration of Executives reporting to the Managing Director, and as appropriate other senior executives; and
- h) reviewing and approving any equity based plans and other incentive schemes.

No Director or executive will be involved in decisions as to their own remuneration.

ACCESS TO INFORMATION AND INDEPENDENT ADVICE

The Committee has the authority to seek any information it requires from any employees of the Group and all employees must comply with those requests.

The Committee may engage and compensate independent expert external advisers on terms determined by the Committee to assist it in performing its duties. The Committee may meet with external advisers without the MD or Senior Management being present.

COMPOSITION AND MEETINGS OF THE COMMITTEE

COMPOSITION

The Committee is to be:

- a) appointed by the Board in accordance with the Company's Constitution;
- b) comprised of at least 3 members, the majority being independent non-executive Directors; and
- c) chaired by an independent director who is not Chairman of the Board.

The Company Secretary will attend all Committee meetings to ensure minutes are taken of the meeting.

MEETINGS

- a) The Committee will meet at least once per year and additionally as circumstances may require.
- b) Meetings are called by the Secretary as directed by the Board or at the request of the Chairman of the Committee.
- c) A quorum shall comprise any two members of the Committee. In the absence of the Committee Chairman or appointed delegate, the members shall elect one of their members as Chairman.
- d) Where deemed appropriate by the Chairman of the Committee, meetings and subsequent approvals may be held or concluded by way of a circular written resolution or a conference call.
- e) Decisions will be based on a majority of votes with the Chairman having the casting vote.
- f) The Committee chairman will report to the Board (at the next Board meeting) following each meeting on the activities, findings and recommendations of the Committee.
- g) The Committee may invite any executive management team members or other individuals, including external third parties, to attend meetings of the Committee, as they consider appropriate.

RESPONSIBILITIES IN RESPECT OF REMUNERATION MATTERS

REMUNERATION POLICY AND FRAMEWORK

The Committee will determine and agree with the Board the policy for remuneration of the Chairman, the Managing Director (MD), the Directors, and the Executive Management.

The Committee's objectives in determining remuneration and incentive framework, policies and practices are to:

- a) attract and retain high quality directors and executives managers;
- b) motivate relevant Executive Management to pursue the long-term growth and success of the Group, including by the implementation of key performance indicators (KPIs) comprising financial and non-financial measures of performance;

- c) demonstrate a clear relationship between performance and remuneration;
- d) create an appropriate balance between fixed and incentive remuneration, reflecting the short and long-term performance objectives of the Group and differentiating between higher and lower performers through the use of a performance management framework;
- e) limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance; and
- f) be compliant with all relevant laws and regulations and have regard to shareholder expectations.

REMUNERATION FOR CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Committee will:

- a) consider and make recommendations to the Board on the remuneration of the Chairman and directors (including equity plans and superannuation);
- b) apply the guidelines for remuneration set out in **Annexure A** in relation to non-executive directors; and
- c) consider if any increase in fees or proposed changes to non-executive Director remuneration practices are material and require disclosure or shareholder approval.

REMUNERATION FOR MANAGING DIRECTOR AND ANY OTHER EXECUTIVE DIRECTORS

The Committee will:

- a) review and make recommendations to the Board on remuneration and incentive awards (both short and long term), retention and termination policies and procedures to attract and retain MD and any other executive Directors who can create value to shareholders;
- b) apply the guidelines for remuneration set out in **Annexure A** in relation to executives;
- c) Review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs; and
- d) consider any issues of shares or offers of rights made to executive Directors under any long term incentive plans are placed before shareholders for approval.

REMUNERATION FOR EXECUTIVE MANAGEMENT

The Committee will review and approve remuneration and incentive awards for Executive Management designates based on recommendations of the MD, including:

- a) appropriate KPIs for Executive Management (set at the beginning of the financial year and used as the basis for performance reviews at the end of the year)
- b) fixed remuneration levels and short and long-term incentive awards;
- c) any termination payments (which are to be agreed in advance and include provisions in case of early termination); and
- d) equity offers under Board-approved employee equity plans not otherwise delegated by the Board to any other person and except equity offers that require the issue of shares (which are to be referred to the Board).

EQUITY BASED PLANS

The Committee will review and approve:

- a) the design of equity based plans (including performance measures and the assessment of performance against objectives);
- b) individual equity offers to Senior Management under Board-approved employee equity plans, including the vesting conditions for awards made under equity plans, except equity offers that require the issue of shares (which are to be referred to the Board); and
- c) the exercise of functions and granting of powers to persons for the effective administration of equity offers made under Board-approved employee equity plans.

(The Board is to be notified of any variations to employee equity plan terms and other equity plan governance documentation approved by the Committee prior to the implementation of any such variations.)

SUCCESSION OF THE CHAIRMAN AND MD

The Committee will oversee and periodically evaluate the succession plan for the Chairman and MD and make recommendations to the Board in relation to the plan. The Board makes the final decision in relation to the succession of the chairman of the Board and MD.

ANNUAL REMUNERATION REPORT

The Committee will approve the annual remuneration report and make recommendations to the Board for the inclusion of the Remuneration Report in the Company's annual report. The remuneration report will contain information on the Company's remuneration policy, practices, attendance at and frequency of Remuneration Committee meetings.

DIVERSITY OBLIGATIONS

In addition to assisting the Board in ensuring that diversity is considered in the selection, appointment and re-election of Directors, the Committee, in consultation with Senior Management (as appropriate), will oversee the implementation and ongoing monitoring of the Group's diversity policy and strategy, including:

- a) the establishment of measurable objectives for achieving diversity;
- b) the yearly review and reporting to the Board on diversity objectives and progress against those objectives, including the respective proportions of men and women on the Board, in senior executive positions and across the Group (including how "senior executive" is defined for these purposes);
- c) the reporting of diversity objectives through the annual report and annual information from, and the monitoring of diversity objectives through, reports from Senior Management; and
- d) the review, at least annually, of remuneration of gender, the relative proportion of men and women in the Group's workforce and the Group's progress in achieving diversity strategy.

PERFORMANCE OF EXECUTIVE MANAGEMENT

The Committee will develop and recommend to the Board the process for evaluating the performance of the Company's executive management team, and ensure that performance of executives is regularly reviewed.

GENERAL

The Committee will undertake any other obligations referred to the Committee by the Board.

REVIEW OF CHARTER

The Committee will review this Charter periodically and, if necessary, recommend changes to the Board for approval.

APPROVAL AND ADOPTION

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

Annexure A: Guidelines for executive and non-executive director remuneration (ASX principles and recommendations, 3rd edition)

GUIDELINES FOR EXECUTIVE REMUNERATION

Composition: remuneration packages for executive directors and other senior executives should include an appropriate balance of fixed remuneration and performance-based remuneration.

Fixed remuneration: should be reasonable and fair, taking into account the entity's obligations at law and labour market conditions, and should be relative to the scale of the entity's business. It should reflect core performance requirements and expectations.

Performance-based remuneration: should be linked to clearly specified performance targets. These targets should be aligned to the entity's short and long-term performance objectives and should be appropriate to its circumstances, goals and risk appetite.

Equity-based remuneration: well-designed equity-based remuneration, including options or performance rights, can be an effective form of remuneration, especially when linked to hurdles that are aligned to the entity's longer-term performance objectives. Care needs to be taken in the design of equity-based remuneration schemes, however, to ensure that they do not lead to "short-termism" on the part of senior executives or the taking of undue risks.

Termination payments: termination payments, if any, for senior executives should be agreed in advance and the agreement should clearly address what will happen in the case of early termination. There should be no payment for removal for misconduct.

GUIDELINES FOR NON-EXECUTIVE DIRECTOR REMUNERATION

Composition: non-executive directors should be remunerated by way of cash fees, superannuation contributions and non-cash benefits in lieu of fees (such as salary sacrifice into superannuation or equity).

Fixed remuneration: levels of fixed remuneration for non-executive directors should reflect the time commitment and responsibilities of the role.

Performance-based remuneration: non-executive directors should not receive performance-based remuneration as it may lead to bias in their decision-making and compromise their objectivity.

Equity-based remuneration: it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interests with the interests of other security holders. However, non-executive directors generally should not receive options with performance hurdles attached or performance rights as part of their remuneration as it may lead to bias in their decision-making and compromise their objectivity.

Termination payments: non-executive directors should not be provided with retirement benefits other than superannuation.