

# HILLGROVE RESOURCES

## BOARD CHARTER



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## CONTENTS

1. GENERAL .....	3
2. THE ROLE OF THE BOARD .....	3
3. THE RESPONSIBILITIES OF THE BOARD .....	4
4. BOARD COMPOSITION AND DELEGATION OF AUTHORITY	5
5. INDEPENDENCE OF DIRECTORS .....	5
6. DIRECTOR'S CONFLICTS OF INTEREST .....	6
7. MEETINGS.....	7
8. THE BOARD AND EXECUTIVE MANAGEMENT .....	7
9. DELEGATED AUTHORITY .....	8
10. INDEPENDENT ADVICE.....	8
11. BOARD PERFORMANCE.....	8
12. REMUNERATION OF DIRECTORS.....	9
13. ACCESS TO BOARD CHARTER .....	9
14. REVIEW OF THIS CHARTER.....	9

## **1. GENERAL**

This Board Charter (the “Charter”) sets out the principles under which the Board of Directors of Hillgrove Resources Limited (the “Company”) will operate and describes the functions of the Board.

The Charter also prescribes the manner in which the Board may delegate its functions to committees of the Board, or to management, and is intended to create an appropriate, practical and consistent framework of control for the Company (and all of its related bodies corporate).

Effective implementation of this Charter will maximise compliance with statutory and best practice requirements by the Board of Directors and management of the Company, in turn ensuring the maintenance of the integrity of the Company.

The Board of Directors is of the view that such a framework of control will assist management and staff to effectively perform their duties and manage risk, and will facilitate the monitoring of performance and compliance by the Board against agreed benchmarks.

## **2. THE ROLE OF THE BOARD**

The role of the Board of Directors is to:

- a) Ensure compliance with the Corporations Act and all other relevant legislation;
- b) Protect and enhance Total Shareholder Return (TSR);
- c) Establish, monitor and modify (as required) the Company’s strategic direction;
- d) Review the financial and operational performance of the Company;
- e) Develop policies and procedures to identify and manage areas of business risk
- f) Facilitate effective outcomes in all areas of operations;
- g) Ensure the market is informed of all material developments;
- h) Establish a sound base for a culture of good corporate governance;
- i) Ensure the continuous disclosure requirements of the Company are met.
- j) Appoint the Chief Executive Officer and if necessary, terminate the Chief Executive Officer

The Board of Directors will always retain ultimate authority over the management and employees of the Company and its related bodies corporate.

In performing its role, the Board of Directors should act, at all times:

- a) In recognition of its overriding responsibility to act honestly and fairly in serving the interests of the Company, its shareholders, as well as its employees, customers and the community;
- b) In accordance with the duties and obligations imposed upon them by the Company’s constitution and all applicable legislation;
- c) In compliance with the Company’s charters, policies, procedures and codes of conduct, including without limitation, the Company’s Securities Trading Policy, Continuous Disclosure Policy and Directors Code of Conduct; and
- d) As leaders, with integrity and objectivity, consistently within the ethical, professional and other standards set out in the Company’s corporate governance policies.

### **3. THE RESPONSIBILITIES OF THE BOARD**

The responsibilities of the Board of Directors include:

- a) Determining the direction, strategies and financial objectives of the Company and monitoring the implementation of such strategies and objectives;
- b) Stewardship of the operations of the Company (and of its related bodies corporate) and its (and their respective) control and accountability systems;
- c) Selecting and appointing an appropriately experienced and qualified Chief Executive Officer for the Company, reviewing the performance of, and removing any such officer as required;
- d) Ratifying the appointment of (and, where appropriate, ratifying the removal of) the Chief Financial Officer of the Company
- e) Appointment of the Company Secretary (and, where appropriate, removal of the Company Secretary);
- f) Managing succession planning for the positions of the Chief Executive Officer and Chief Financial Officer of the Company;
- g) Ratifying the terms of appointment of senior management of the Company, including in relation to the value and structure of the remuneration;
- h) Ensuring the Company management has in place appropriate processes for risk assessment, management and internal controls, including monitoring the performance of such factors against defined and enunciated benchmarks, and monitoring the Company's performance in relation to the principles of corporate governance as identified by the Board of Directors;
- i) Monitoring the Company's operations in relation to, and ensuring the Company's compliance with applicable regulatory/statutory requirements and ethical standards;
- j) To test and question management's assertions, monitor progress of management, evaluate management performance and, where appropriate, take corrective action;
- k) Establishing corporate governance and legal compliance systems, as well as monitoring compliance with those systems;
- l) Monitoring senior management's performance and their implementation of strategies and budgets;
- m) Ensuring appropriate resources are available for the Company in the pursuit of its objectives;
- n) Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- o) Approving and monitoring financial and other reporting;
- p) Approving significant changes to the organisational structure of the Company, including significant acquisitions, divestiture or changes to the capital of the Company; and

- q) Deciding on any matter which is in excess of the discretions or limits that have been delegated from time to time to senior management.
- r) Assuming ultimate responsibility for ensuring both procedural and legislative compliance of the Company's officers and employees in relation to the financial, environmental, industrial and safety performance of the Company (and of its related bodies corporate).

In performing its responsibilities and functions, the Board of Directors may delegate any of its powers to a Board Committee or to other persons in accordance with the Company's constitution.

#### **4. BOARD COMPOSITION AND DELEGATION OF AUTHORITY**

Under the Company's constitution, the minimum number of Directors will be three (3), with a maximum number of ten (10). At the time of publication of this Charter the Company has resolved that a board comprised of six (6) directors will be appropriate in size and competence to properly understand and deal with the current and imminent issues of the operations of the Company.

Each Director is bound by the Company's charters, policies, procedures and codes of conduct, including without limitation, the Company's Securities Trading Policy, Continuous Disclosure Policy and Directors Code of Conduct.

If and when the Board of Directors determines it is appropriate or necessary, the Board may establish committees to assist in carrying out the various responsibilities of the Board of Directors. The committees will act by examining the relevant issues and making recommendations to the Board of Directors. Each such committee established will have a formal charter setting out its objectives, scope and manner of administration. The Board may also determine, from time to time, to establish ad-hoc committees to which responsibilities will be delegated to examine specific issues.

The Board of Directors (and, where relevant, any committees established by the Board) have delegated the carriage of the day to day operation and management of the Company's business to the Chief Executive Officer who is authorised, in turn, to delegate such of the powers conferred on them as is deemed appropriate to members of the senior management group. The Board of Directors will approve and monitor all such delegations of authority. The delegation of powers by the Chief Executive Officer is subject to the limits and restrictions set out in the Delegations of Authority Schedule.

The Chief Executive Officer must consult with the Board of Directors on any matter that is sensitive, extraordinary or of a strategic nature.

#### **5. INDEPENDENCE OF DIRECTORS**

The law and market perceptions regarding the issue of "independence" of Directors is developing and changing rapidly, both in Australia and overseas. Best practice recommends that rigid rules regarding what 'does and does not' constitute independence is no longer appropriate. Rather, it is more appropriate to adopt a set of matters to which consideration should be given in order to determine whether or not a Director is independent.

At the time of a Director's appointment and thereafter, the Board will consider independence by having regard to the answers to the following questions:

- a) Is the Director a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company?
- b) Has the Director, within the last three years, been employed in an executive capacity by the Company or by any related body corporate of the Company, or been a Director after ceasing to hold any such employment?
- c) Within the last three years has the Director been a Principal of a material professional adviser; a material consultant to the Company or a related body corporate of the Company; or an employee materially associated with the service provided by such adviser or consultant to the Company?
- d) Is the Director a material supplier or customer of the Company or any related body corporate of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer?
- e) Does the Director have a material contractual relationship with the Company or related body corporate other than as a director of the Company?
- f) Has the Director served on the Board of Directors for a period that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company?
- g) Is the Director free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company?

It is appropriate for the Board of Directors to consider the issue of independence in light of a materiality threshold relevant to the time when the issue is being considered. At the time of publication of this Charter the general threshold for materiality is (in the case of service providers or similar) more than \$5,000 per annum. Further, the relevant Director must not receive any remuneration directly related to the Company's use of that service provider.

Each independent Director of the Company must regularly provide to the Board of the Company all information regarding his or her interests that is relevant to his or her independence having regard to the questions stated in (a) through to (g) above. Where the independence of a Director is lost, this must be immediately disclosed to the market.

The Board of Directors must ensure that each annual report of the Company meets the disclosure of interest requirements set out in the ASX Listing Rules.

## **6. DIRECTOR'S CONFLICTS OF INTEREST**

As is noted above, and in the Director's Code of Conduct in greater detail, each Director has an obligation at board meetings and concerning the Company generally, to reach decisions which he or she believes to be in the best interests of the Company as a whole, free of any actual or possible conflict of interest.

If the Board of Directors determines that a Director might be in a position where there is a reasonable possibility of conflict between his or her personal or business interests, the interest of any associated person, or his or her duties to any other company, on the one hand, and the interests of the Company or his or her duties to the Company, on the other hand, the Board of Directors will require certain actions.

Those actions require that Director to:

- a) Fully and frankly inform the Board of Directors about the circumstances giving rise to the conflict; and
- b) Abstain from voting on any motion relating to the matter and absenting him or her self from all board deliberations relating to the matter including receipt of board papers pertaining to the matter.

If the Board of Directors resolves to permit a Director to have any involvement in a matter involving possible circumstances of conflicting interest, the Board of Directors must minute the full details of the basis of the determination and the nature of the conflict, and must formally resolve to so permit the relevant Director's involvement.

If a Director believes he or she has or may have a conflict of interest or duty in relation to a particular matter, the Director should immediately consult with the Chairperson.

## **7. MEETINGS**

Where possible and time permits, the board papers should be provided to Directors at least three (3) business days prior to the relevant meeting of the Board of Directors. The board papers will include details of the agenda, and details covering at least the operations, finance, human resources, safety, exploration and secretarial activities of the Company.

Each board meeting will allow for informal discussions between board members and the chairperson of the meeting should ensure the availability of and, if necessary, the attendance at the relevant meeting of any member of senior management responsible for a matter included as an agenda item at the relevant meeting.

There shall be a minimum of no less than six (6) scheduled Board meetings per year.

The non-executive Directors of the Company shall meet on multiple occasions each year for private discussion of management issues.

Urgent matters that cannot wait until the next board meeting can be dealt with by a circulating resolution, in accordance with the Company's constitution. A circulating resolution should be approved by the Chairperson before being circulated to all Board members and should normally be preceded by a telephone meeting if practical.

A circulating resolution must be signed by all Directors approving the resolution and will be entered into the Board minute book.

## **8. THE BOARD AND EXECUTIVE MANAGEMENT**

Any Director may communicate directly with employees of the Company but such communications are to be made having regard to the efficient operation of the Company and the need to preserve and maintain an effective chain of command and the confidentiality of the deliberations of the Board of Directors.

Where individual Directors wish to communicate with executive management or with other employees or representatives of the Company in relation to Company business, all communications can be direct. All communications of a material or sensitive nature must be facilitated by the Chairperson.

## **9. DELEGATED AUTHORITY**

The Board of Directors has defined the nature and levels of permissible delegation of its various authorities and responsibilities, which are set out in the Delegation of Authorities Schedule. That document establishes the basis on which the Board of Directors will:

- a) Perform the duties and responsibilities set out in Section 3 of this Charter;
- b) Seek and receive appropriate and sufficient reports on the conduct of the business of, and material issues concerning the Company, and
- c) Therefore does not need to be involved in day to day operations of the Company and its business.

These authorised delegations of responsibility and duties are primarily concerned with the powers to bind or create an obligation on the Company.

## **10. INDEPENDENT ADVICE**

A Director of the Company is entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures set out below.

- a) A Director must seek the prior approval of the Chairperson.
- b) In seeking the prior approval of the Chairperson, the Director must provide the details of the nature of the professional advice sought, the likely cost of seeking such independent professional advice and the details of the independent adviser he or she proposes to instruct.
- c) The Chairperson may prescribe a reasonable limit on the amount the Company will contribute towards the cost of obtaining the advice.
- d) The Chairperson must approve of the use of the independent adviser nominated by the Director.
- e) All documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and the director in his or her personal capacity, and where appropriate, if it constitutes remuneration advice in accordance with the Corporations Act.
- f) The Chairperson may determine that any advice received by an individual Director will be circulated to the remainder of the board.

## **11. BOARD PERFORMANCE**

The Board of Directors believes that regular assessment of the board's effectiveness and the contribution of individual Directors is essential to continually improve the governance and guidance of the Company.

The Board will establish and review the effectiveness of performance measures to quantify the performance of Board members, with reviews of individual performance to be conducted on no less than a bi-annual basis.



## **12. REMUNERATION OF DIRECTORS**

Remuneration of non-executive Directors is determined and structured in accordance with the Company's Non-Executive Directors Remuneration Policy.

## **13. ACCESS TO BOARD CHARTER**

This Charter will be available via the corporate governance section of the Company website:

[\(http://www.hillgroveresources.com.au/article/Corporate\\_Governance/\)](http://www.hillgroveresources.com.au/article/Corporate_Governance/).

## **14. REVIEW OF THIS CHARTER**

- a) The Chairperson of the Company will be the arbiter for interpretation and/or clarification of this Charter. Omissions should also be brought to the attention of the Chairperson.
- b) This Charter is subject to amendment by the Board of Directors who will review its terms periodically, or on an as needed basis.