



BOARD CHARTER

Prospect Resources Limited
ACN 124 354 329



1 ROLE AND RESPONSIBILITIES

- 1.1 The board of directors (**Board**) of Prospect Resources Limited (**Company**) has adopted this charter (**Charter**) to outline the manner in which its powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance and applicable laws.
- 1.2 This Charter and the charters adopted by the Board have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market. To accomplish this, the Board:
- (a) considers and approves the strategy of the Company and its subsidiaries (**Group**);
 - (b) adopts an annual budget and monitors financial performance including approving the annual and half year financial statements and reports;
 - (c) oversees the integrity of the Company's accounting and corporate reporting systems, including the external audit;
 - (d) approves major investments and monitors the return on those investments;
 - (e) monitors the adequacy, appropriateness and operation of internal controls including reviewing and approving the Company's compliance systems and corporate governance principles;
 - (f) provides continuous disclosure of information to the investment community, and makes available information shareholders can reasonably require to make informed assessments of the Group's prospects;
 - (g) reviews and monitors significant business risks and oversights how they are managed;
 - (h) monitors the conduct of the relationship with key regulators to meet the Group's obligations;
 - (i) determines delegations to committees, subsidiary boards and management and approves transactions in excess of delegated levels;
 - (j) reviews the performance of the chief executive officer of each portfolio company of the Group including overseeing the remuneration, development and succession planning for the chief executive officers and management, while overseeing the operation of appropriate human resource management systems including remuneration;
 - (k) assesses its own performance and that of individual directors;
 - (l) selects and appoints new directors and the Chair of the Board;
 - (m) appointing and replacing the Chief Executive Officer;
 - (n) considers, approves and endorses major policies of the organisation.
- 1.3 The Company's constitution (**Constitution**) ultimately governs matters relating to the Board and its functions. This Charter explains and interprets the Constitution. The Constitution prevails to the extent of any inconsistency between this Charter and the Constitution.



2 ROLE OF MANAGEMENT

- 2.1 The Board delegates to the senior executive team all powers to manage the day to day business of the Group, subject to those powers reserved to the Board in accordance with this Charter and any specific delegations of authority approved by the Board.
- 2.2 The key responsibilities of the senior executive team are to:
- (a) manage the day to day business of the Group in accordance with the Group's strategic objectives while operating within the values, code of conduct, budget and risk appetite set by the Board;
 - (b) assign responsibilities clearly to the employees of the Group, and supervise and report on their performance to the Board;
 - (c) recommend to the Board significant operational changes, and major capital expenditure, acquisitions or divestments, which are beyond delegated thresholds;
 - (d) provide the Board with accurate, timely and clear information on the Group operations to enable the Board to perform its responsibilities; and
 - (e) support a culture within the Group that promotes ethical and responsible behaviour.

3 COMPOSITION

3.1 Board composition and size

- (a) The directors will determine the Board size and composition, subject to the limits established by the Company's constitution. The Board will review the size and composition of the Board with a view to having an appropriate mix of skills, knowledge, experiences, expertise and diversity.
- (b) Where practicable, the Board shall consist of a majority of non-executive directors who satisfy the criteria for independence set out in Schedule 1.
- (c) The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment (which may include the matters listed in Schedule 1).
- (d) The independence of directors will be regularly reviewed.

3.2 Appointment of Chairman

- (a) The Board shall appoint a chair in accordance with the Constitution (**Chair**).
- (b) Where practicable, the Chair should be a non-executive director who satisfies the criteria for independence set out in Schedule 1.
- (c) The Chair will be responsible for leading the Board, facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the Board and management.



(d) The Chair will represent the Board to shareholders.

4 MEETINGS

- 4.1 The Board will meet (either in person or via teleconference), a minimum of 4 times a year, with additional meetings as required. Any director is able to convene a meeting of the Board by contacting the Chair or the Company Secretary.
- 4.2 The Company Secretary is appointed by and responsible to the Board of Directors through the Chair. The Chair and the Company Secretary will co-ordinate and approve the Board agenda.
- 4.3 The Chair will be responsible for coordinating all Board meetings, including distribution of board papers and preparing minutes of Board meetings. Board papers should normally be distributed at least a week prior to each Board meeting.
- 4.4 The Board is committed to collective decision making and shall endeavour to arrive at a consensus decision on all matters requiring Board approval. Where a consensus decision is unable to be made, the decision of the Board shall be determined by a majority of votes of the Directors present at the meeting and voting. In the event of an equality of votes, the Chair has the casting vote.
- 4.5 The Company Secretary is responsible for communication with regulatory bodies and Australian Securities Exchange (**ASX**), and all statutory and other filings.
- 4.6 In addition to the above meetings, the non-executive directors (in the event that there is more than one non-executive director) meet at least once per year in the absence of executive directors and management, and at such other times as they may determine. The non-executive directors may also meet on their own as they determine.
- 4.7 Where deemed appropriate by the Board, meetings and subsequent approvals and recommendations may occur by written resolution or conference call or other electronic means of audio or audio-visual communication.

5 COMMITTEES

- 5.1 The Board may delegate any of its powers to a committee or committees and may also delegate specific functions to ad hoc committees. The Board will, at least once each year, review the membership and charter of each committee.
- 5.2 The Board may determine that it is appropriate to form separate committees (at the appropriate stage of development of the Company) with exclusive functions relating to audit, risk, remuneration and nomination. Each of these committees shall have their own charters and are responsible for ensuring the Company practices good corporate governance in the areas of audit, risk, remuneration and nomination.

6 RELATIONSHIP WITH MANAGEMENT

The Board has delegated specific authorities to the chief executive officer of each company in the Group. Subject to these delegated matters, each chief executive officer is authorised to exercise all the powers in relation to their respective company, except with respect to the following:

- (a) approval of major elements of strategy including any significant change in the direction of that strategy;



- (b) approvals above delegated levels of credit limits, country risk exposures, equity risk limits, market risk limits, loans and encumbrances, equity investments and underwriting risk;
- (c) capital expenditure in excess of delegated levels or expenditure outside the ordinary course of business;
- (d) certain remuneration matters including material changes to remuneration policies;
- (e) adoption of the relevant Group company's annual budget;
- (f) approval of the interim and final accounts and related reports of the relevant Group company;
- (g) other matters as the Board may determine from time to time.

7 EDUCATION, DEVELOPMENT AND PERFORMANCE EVALUATION

- 7.1 Each new director will, upon appointment, participate in an induction programme. This will include meeting with members of the existing Board, Company Secretary, management and other relevant executives to familiarise themselves with the Company, its procedures and prudential requirements, and Board practices and procedures.
- 7.2 On an ongoing basis, and subject to approval of the Chair, directors may request and undertake training and professional development, as appropriate, at the Company's expense.
- 7.3 The performance of the Board as a group and of individual directors is to be assessed each year. In particular, all directors seeking re-election at an annual general meeting may be subject to a formal performance appraisal to determine whether the Board (with their absenting themselves) recommend their re-election to shareholders.

8 CONFLICT OF INTERESTS

- 8.1 The Board will agree, and Board members will abide by the following:
 - (a) declaring their interests as required under the *Corporations Act 2001* (Cth), ASX Listing Rules and general law requirements;
 - (b) unless the directors (without a relevant personal interest) agree otherwise, where any director has a material personal interest in a matter, the director will not be permitted to vote or take part in any discussion concerning the matter or at a director's meeting where that matter is being considered;
 - (c) directors must not:
 - (i) allow personal interests to conflict with the interests of the Company; or
 - (ii) disclose confidential information, unless the disclosure has been authorised by the Company or is required by law.
 - (d) all directors will abide by the terms of the Securities Trading Policy; and



- (e) in addition to these requirements, nominee directors representing the major shareholder must act in accord with the relationship protocols for addressing conflicts.

9 ACCESS AND INDEPENDENT ADVICE

- 9.1 The Company's external auditors will allow all issues to be raised directly with the Board.
- 9.2 Board members are not to be constrained or impeded from disclosing information to the external auditors in accordance with statutory and regulatory requirements and must be available to meet with the external auditors on request after notification to the Chair.
- 9.3 Each director shall have the ability to consult independent experts where that director considers it necessary to carry out their duties and responsibilities. Any costs incurred as a result of the director consulting an independent expert will be borne by the Company, subject to the estimated costs being approved by the Chair in advance as being reasonable (or in the case of the Chair, being approved by another director).

10 REVIEW OF CHARTER

- 10.1 This Charter will be reviewed at least annually and updated as required to ensure it continues to operate effectively. The latest version of this Charter can be found on the Company's website or obtained from the Company Secretary.



SCHEDULE 1 - GUIDELINES OF THE BOARD OF DIRECTORS – INDEPENDENCE OF DIRECTORS

Section 3.1 of the Charter refers to the 'independence' of Directors. Without limiting the Board's discretion, the Board has adopted the following guidelines to assist in considering the independence of Directors:

In general, directors will be considered to be 'independent' if they are not members of management (i.e., a non-executive director) and they:

- (a) are not material shareholders of the Company, or officers of, or otherwise associated directly or indirectly with, material shareholders of the Company;
- (b) have not within the last three years been employed in an executive capacity by the Company or any of its subsidiaries;
- (c) were not appointed as a director of the Company within three years of ceasing to be employed in an executive capacity by the Company, unless appointed by the Chairman;
- (d) have not within the last three years been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- (e) are not a material supplier to or customer of the Company or other group member or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (f) have no material contractual relationship with the Company or another group member, other than as a Director of the Company; and
- (g) are free from any interest, business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality thresholds

The Board will consider thresholds of materiality for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- (a) The Board will determine the appropriate base to apply (eg revenue, equity or expenses), in the context of each situation.
- (b) In general, the Board will consider a holding of 5% or more of the Company's shares to be material.
- (c) In general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purposes of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular Director should be reviewed by the Board.
- (d) Overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.