



U & D COAL LIMITED

A.C.N. 165 894 806

BOARD CHARTER

As at 31 March 2014



BOARD CHARTER

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1. Role of the Board

This Board charter sets out best practice principles for the operation of the board of directors (**Board**) of U&D Coal Limited (**Company**) and describes functions of the Board as well as functions delegated to management of the Company.

The Board has primary responsibility to shareholders for the welfare of the Company by guiding and monitoring business and the affairs of the Company. The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company. The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to the Company.

Each of the directors, when representing the Company, must act in the best interests of shareholders of the Company and in the best interests of the Company as a whole.

This charter and the various complementary charters adopted by the Board and the various committees have been prepared and adopted on the basis that there is a recognition that good governance and good governance procedures can add to the performance of the Company.

2. Responsibilities of the Board

One of the key ways the Board can add value to the Company is by selecting the right Chief Executive Officer for the Company. Beyond this the Board will seek to ensure that management has in place appropriate processes for risk assessment, management and internal control and monitoring performance against agreed benchmarks. The Board will work with senior management as collaborators in advancing the interests of the Company.

This charter delegates authority and recognises that once delegated management needs to be free to manage. The Board will not be too accepting of management's views and will test and question management's assertions, monitor progress, evaluate management's performance and will, where warranted, take corrective action.

2.1 Board responsibilities

The Board is responsible for the management of the affairs of the Company including:

- Financial strategic objectives.
- Evaluating, approving and monitoring the strategic and financial plans of the Company.
- Evaluating, approving and monitoring the annual budgets and business plans.
- Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of securities of the Company.
- Approving all statutory financial reports of the Company.



2.2 Executive management

The Board is responsible for appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the Chief Executive Officer. Consistent with the obligation to monitor the Chief Executive Officer the Board has identified the role and responsibilities of the Chief Executive Officer as summarised in section 4.4 and 4.5. The Board will consider this job description and the Chief Executive Officer's authorities and accountabilities, as well as performance indicators to provide monitoring benchmarks.

The Board is responsible for managing succession planning for the position of Chief Executive Officer, Chief Financial Officer and other key senior management. It is envisaged that this would involve working with the Chief Executive Officer to identify the requirements for critical positions and individuals that can fill those positions on both an emergency basis and over the longer term.

2.3 Risk management

The Board is responsible for:

- monitoring the Company's performance in relation to ASX guidelines as identified and resolved by the Board.
- approving and monitoring the Company's risk management framework.
- approving and monitoring compliance with the Company's key corporate policies and protocols.
- monitoring the Company's operations in relation to, and compliance with relevant regulatory requirements.

2.4 Guidelines for risk management and strategic planning

- The Board will be actively and regularly involved in risk management and strategic planning. The intention of the Board is that these functions will be closely integrated. Strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing. The Board recognises that strategic planning is an ongoing process that must be responsive to changes in the external environment and internal developments.
- The Board's involvement in strategic planning and the monitoring of risks does not mean the Board intends to manage the business but it recognises the Board are responsible for overseeing management and holding it to account.
- The Board will oversee the process that management has in place to identify business opportunities and risks.
- The Board will consider the extent and types of risk that is acceptable for the Company to bear.
- The Board will monitor management's systems and processes for managing a broad range of business risks.
- The Board will, on an ongoing basis, review with management how the strategic environment is changing, what key business risks and opportunities are appearing, how



they are being managed and what, if any, modifications in strategic direction should be adopted.

2.5 Reporting

The Board must supervise disclosure in the annual report and any departures from the ASX guidelines. The Company will, where appropriate, include an appropriate statement regarding departures from ASX guidelines in the annual report such as:

The Board has considered the ASX guideline [#] and its application to the Company having regard to the circumstances of the Company and industry practice. The Board [and the [#] Committee] have determined to depart from ASX guideline [#] and this is warranted on the basis it is not appropriate to the Company. The decision was based on the following:

Having regard to the matters set out above, the Board does not believe the benefits are commensurate with the monetary and other costs they impose. As a result, their contribution to shareholder well being is believed to be minimal and they have not been adopted.

3. Structure of the Board

The Company's constitution provides that it shall have at all times at least three (3) and not more than ten (10) directors.

Details of the Board composition, skills and experience are disclosed on the Company's website and in the annual report.

Each director should seek to meet the best practice principles as set out in each of the Company's charters, policies, codes of conduct etc, including without limitation the Company's:

- Securities Trading Policy;
- Code of Conduct ; and
- other policies adopted by the Board from time to time.

The Board and/or the committees have delegated carriage of the operation and management of the Company's business to the Chief Executive Officer, and to appropriate members of the senior management group.

This charter is designed to facilitate a mature and constructive relationship with the Company's management – one that is grounded in a mutual understanding of their respective roles and the ability of the Board to act independently in fulfilling its responsibilities.

The Board will monitor delegations of authority from the Chief Executive Officer to senior management.



4. Statement of the division of authority between the chairman and CEO

4.1 Objective

Consistent with its commitment to ASX guidelines, the Company recognises the importance of the office of chairman and the office of Chief Executive Officer of the Company.

The Company recognises that it is important that the chairman and the Chief Executive Officer have defined roles in the organisation and function in accordance with clear functional lines.

4.2 Role of the Company chairman

In accordance with clause 50(a) of the constitution, the Board has resolved to appoint a chairman.

The chairman will be selected on the basis of relevant experience, skill and leadership abilities that the Board recognises from time to time. The Board at the first board meeting following the annual general meeting will consider the position of chairman. It is envisaged that the normal term for a chairman will be a period of five years subject to satisfactory performance.

The role of chairman is demanding, requiring a significant time commitment. The chairman's other commitments should not be so great as to hinder their ability to perform this role.

4.3 Specific duties of the chairman

The chairman will:

- chair board meetings;
- establish the agenda for board meetings, in consultation with the Chief Executive Officer and Company Secretary;
- chair meetings of members, including the annual general meeting of the Company;
- be the primary spokesperson for the Company at the annual general meeting. The chairman and the Chief Executive Officer will agree between themselves as to their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- be kept fully informed by the Chief Executive Officer of all material matters which may be relevant to directors, in their capacity as directors of the Company;
- in conjunction with the Chief Executive Officer and other appropriate members of senior management, review all matters material to the interests of the Company;
- provide guidance and mentoring to the Chief Executive Officer;
- chair the Chief Executive Officer evaluation process through the Remuneration Committee; and
- ensure the process of Board evaluation is conducted.



4.4 Role and responsibilities of the Chief Executive Officer

The Chief Executive Officer has primary responsibility to the Board for the affairs of the Company.

The Board appoints the Chief Executive Officer to manage the business on behalf of it (and shareholders) and must delegate sufficient powers to allow him or her to manage effectively. The Chief Executive Officer must carry out the objectives of the Board in accordance with its instructions, and report to the Board all matters the Chief Executive Officer considers to be material to the affairs of the Company.

4.5 Specific duties of the Chief Executive Officer

The Chief Executive Officer will:

- oversee the general management of the operations of the Company;
- develop with the Board, implement and monitor the strategic and financial plans for the Company;
- develop, implement and monitor the annual budgets and business plans;
- plan, implement and monitor all major capital expenditure, capital management and all major corporate transactions, including the issue of any securities of the Company; develop all financial reports, and all other material reporting and external communications by the Company, including material announcements and disclosures, in accordance with the Company's Disclosure Policy and Shareholder Communication Guidelines and Policy;
- manage the appointment of the Chief Financial Officer and Company Secretary and other senior management positions;
- develop, implement and monitor the Company's risk management framework;
- consult with the chairman and the Company Secretary in relation to establishing the agenda for Board meetings;
- agree with the chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- be the primary channel of communication and point of contact between the executive staff and the Board (and the directors);
- keep the chairman fully informed of all material matters which may be relevant to the Board, in their capacity as directors of the Company;
- in conjunction with the chairman and other appropriate members of senior management, review all matters material to the interests of the Company;
- provide strong leadership to, and effective management of, the Company in order to:
 - encourage cooperation and teamwork;
 - build and maintain staff morale at a high level;



- build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
- ensure a safe workplace for all personnel;
- ensure that the Company has regard to the interests of employees and customers of the Company and the community and environment in which the Company operates; and
- otherwise carry out the day-to-day management of the Company.

4.6 Limitations on delegated authority of the Chief Executive Officer

The delegation of authority to the Chief Executive Officer is subject to such limits as may be determined by the Board.

The Chief Executive Officer is formally delegated by the Board to authorise all expenditure as approved in the budget, provided that capital expenditure in excess of limits set out in the expenditure authority policy must be approved by the Board and all payments to the Chief Executive Officer, outside of normal agreed monthly remuneration, must be authorised by the chairman.

5. Chief Financial Officer

The Chief Financial Officer and senior finance officers influencing financial performance of the Company will:

- conduct their duties at the highest level of honesty and integrity, recognising that integrity is the benchmark against which the Chief Financial Officer must conduct all decision making;
- maintain the confidentiality of all information acquired in the course of conducting the role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board, or is required by law or by the ASX Listing Rules;
- observe the principles of independence, accuracy and integrity in dealings with the Board, audit committees, board committees, internal and external auditors and other senior managers within the Company;
- disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature of, which the Chief Financial Officer becomes aware and which the Chief Financial Officer reasonably believes may compromise the reputation or performance of the Company;
- maintain transparency in the preparation and delivery of financial information to both internal and external users;
- exercise diligence, skill and good faith in the preparation of financial information and ensure that such information is accurate, timely and represents a true and fair view of the financial



performance and condition of the Company and complies with all relevant legislative requirements;

- ensure that maintenance of a sound system of internal controls to safeguard the Company's assets and to manage risk exposure through appropriate forms of risk control;
- set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of Chief Financial Officer; and
- observe, develop and implement the principles of this charter in a conscientious, consistent and rigorous manner.

6. Independence of directors

New standards of independence are emerging in Australia and overseas that will impact on the perception of who can be characterised as an independent non-executive director. The issue of "independence" is fluid and emerging relatively quickly. The following questions have been adopted by the Company to assist in defining independence. However, the Company is not proposing to adopt hard and fast "set and forget" rules.

6.1 Independence standard

At the time of a director's appointment the Board will consider independence and having regard to the answers to the following questions and resolve whether to consider the relevant director independent.

- Is the director a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company? Has the director, within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment?
- Within the last three years has the director been:
 - a principal of a material professional adviser;
 - a material consultant to the Company or another group member; or
 - an employee materially associated with the service provided by such adviser or consultant to the Company?
- Is the director a material supplier 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?
- Does the director have a material contractual relationship with the Company or another group member other than as a director of the Company?
- Has the director served on the Board 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?



- 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?

Materiality

The Board will from time to time determine relevant materiality thresholds for the purposes of independence. The general standard for materiality is, in the case of service providers or similar, that the fees to the firm the Company do not represent more than 5% of the firm's total fees, nor more than 5% of the Company's total spend in this area and the relevant director does not receive any remuneration directly related to the Company's use of the firm, ie "finder's fees" etc.

6.2 Disclosure of independence

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 standard discussed in section 6.1. Where the independent status of a director is lost, this must be immediately disclosed to the market.

6.3 Annual report disclosure

The Board must ensure that each annual report of the Company discloses:

- in the corporate governance section, the names of directors who are considered by the Board to be independent;
- the Board's reasons for considering a director to be independent;
- the Board's reasons for considering a director to be independent despite the existence of the relationships set out in section 6.1;
- any materiality thresholds that apply to the relationships set out in the section 6.1;
- in the corporate governance section, the period of office of each director.

The Company will, where appropriate include appropriate statements regarding independence in the annual report, such as:

[#] is a consultant to the firm [#]. [#] provides occasional advice to the firm in respect of a range of the company's activities in [#]. Fees paid to [#] last year by the Company were less than \$[#]. The Company has been advised that this is less than [5]% of the total fees of [#]. [#] does not directly or indirectly provide any [#] advice to the Company or any material owners or managers of the Company.

Having regard to the matters set out above, the Board believes [#] is independent in character and judgment and the existing relationship between [#] and the Company are not material enough in quantum or nature to affect, or appear to affect, [#]'s judgment or his/her ability to act as an independent non-executive director of the Company.



7. Conflicts of interest

As a general principle each director must bring an enquiring, open and independent mind to Board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that 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 and consistent with the Directors' Code of Conduct.

If the Board 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 interests 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 will require that the director:

- fully and frankly informs the Board about the circumstances giving rise to the conflict; and
- abstains from voting on any motion relating to the matter and absenting himself or herself from all board deliberations relating to the matter including receipt of Board papers bearing on the matter.

If the Board resolves to permit a director to have any involvement in a matter involving possible circumstances of conflicting interests the Board must minute full details of the basis of the determination and the nature of the conflict including a formal resolution concerning the matter.

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

The Company Secretary will maintain a register of all possible conflict of interest situations.

8. Meetings

Directors should ordinarily receive board papers and related material not later than two business days prior to the relevant meeting.

The Chief Executive Officer should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of executive management responsible for a matter included as an agenda item at the relevant meeting.

The non-executive directors should arrange to meet at least twice in each financial year to conduct a non-executive discussion of Board and management issues. These meetings are to be used to provide feedback about Board processes, including the adequacy and timeliness of information being provided to the Board. At times these meetings may focus on substantive issues that some Board members may need to discuss with management present. These meetings may also discuss areas where the performance of independent directors could be strengthened.

Any issues arising from these meetings that bear on the relationship between the Board and management will be communicated quickly and directly to the Chief Executive Officer by the chair.



8.1 Agenda

An agenda will be prepared for each board and committee meeting. The Board meeting will generally follow the format outlined below.

- Attendees
- Apologies
- Declaration of Directors' Interests
- Minutes of previous meetings
- Health, Safety, Environment and Community Report
- CEO Review of Operations
- GM Resource Development Report
- GM Mine Development Report
- CFO's Monthly Financial Report
- Company Secretary's Report
- General business
- Date and time of next meeting

Each meeting should allow for informal discussions between Board members.

8.2 Taking minutes

Minutes for each meeting should be recorded promptly after the close of the meeting.

Minutes will generally record the following items:

- Location, date and time
- Attendees and Absentees
- Conduct of the meeting
- Declaration of Directors' interests
- Minutes of the previous meeting
- Summary narrative of the issues discussed
- Outcome of resolutions passed
- Any other documentation such as presentations, reports or attachment's not included in the board papers distributed for the meeting.



8.3 Circular memorandums

Urgent matters that cannot wait until the next Board meeting can be dealt with by a circular memorandum. Circular memorandums should be preceded by a telephone meeting if practical.

Circular memorandums must be signed by all directors approving the action and will be entered in the Board minute book.

9. Board committees

The Corporations Act 2001 (Cth) allows the directors to delegate their powers regarding financial matters to the Audit Committee. This charter relies on those delegation powers as specific authority for the rest of the Board to rely reasonably on information or advice provided to the Board by its various committees, to assist the Board in the discharge of its responsibilities (either in whole, or in conjunction with the Board). The Board has established the following committees:

- Audit Committee;
- Remuneration Committee; and
- Disclosure Committee

These committees are designed to consider specific matters and make recommendations to the Board. However, it is not intended that these committees restrict the ability of the Board to make an independent assessment of the recommendations, having regard to the Board's knowledge of the Company and the complexity of the structures and operations of the Company. The Board will consider the materials and recommendations presented to them and bring their own mind to bear on the issue using the skill and judgment they possess.

The Board will consider and approve the charters of the various committees.

The Board may ask to receive copies of committee papers/minutes/agendas in respect of each committee and all non-executive directors may attend meetings of committees of which they are not members.

10. 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 Board's deliberations.

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 must be facilitated by the Chief Executive Officer.



11. Independent advice

A director of the Company is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- a director must seek the prior approval of the CEO;
- in seeking the prior approval of the CEO, the director must provide the CEO with details of:
 - the nature of the independent professional advice;
 - the likely cost of seeking the independent professional advice; and
 - details of the independent adviser he or she proposes to instruct.
- the CEO may prescribe a reasonable limit on the amount that the Company will contribute towards the cost of obtaining such advice;
- the CEO must approve of the independent adviser nominated by the director;
- all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and to the director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with the Company (in the case of an executive director) or any dispute between the director and the Company; and
- the CEO may determine that any advice received by an individual director will be circulated to the remainder of the Board.

12. Remuneration

The level of non-executive director remuneration will be set by the Remuneration Committee so as to attract the best candidates for the Board while maintaining a level commensurate with boards of similar size and type.

In line with the Company's desire to maintain director independence, each director is permitted to deal in personal securities of the Company in accordance with the Securities Trading Policy.

13. Board performance

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

At least once in each financial year, there should be a performance evaluation of:

- the Board comparing the performance of the Board with respect to current ASX guidelines;
- individual directors' contribution to the Board;



- the Board's committees; and
- establishing the goals and objectives of the Board for the upcoming year.

The focus of the evaluation will be on how performance can be made more meaningful in setting and achieving goals that add value.

The Board will determine the manner and form of the performance evaluation.

14. Access to Board charter

This charter will be available, upon request, to each director of the Company, the senior management group, external auditors and shareholders.

This charter will be available to other interested parties upon request, and upon the approval of the chairman.

15. Review of Board charter

The Board will review this charter regularly to keep abreast of changes in or relevant to corporate governance practices, and the charter of each of the committees, and make any amendments it determines are necessary or desirable.