

Board Charter

Astro Diamond Mines NL
ACN 007 090 904

1 Purpose

This charter sets out the role and responsibilities of the Board of Astro Diamond Mines NL (**Astro**) within the governance structure of Astro and its related bodies corporate (as defined in the *Corporations Act*) (the **Group**).

The conduct of the Board is governed by the constitution of Astro and the *Corporations Act* and common law. In broad terms, the Board is accountable to the shareholders and must ensure that Astro is properly managed to protect and enhance shareholders' wealth and other interests. This charter is only a summary of the matters reserved to the Board and should therefore only be used as a general guide.

2 Composition of the Board

The Constitution of Astro provides for a minimum of three directors and a maximum of twelve directors.

Membership of the Board shall be disclosed in the annual report including whether a director is independent or not independent. Loss or gain of independence shall be disclosed to the Australian Stock Exchange Limited (**ASX**).

3 Role of the Board

The Board is responsible for promoting the success of the Group in a way which ensures that the interests of shareholders and stakeholders are promoted and protected.

The Board may delegate some powers and functions to the Managing Director, if applicable, for the day-to-day management of the Astro Group. Powers and functions not delegated remain with the Board.

4 Role of Senior Management

Senior management are those employees who have the opportunity to materially influence the integrity, strategy and operation of the Group and its financial performance.

The role of senior management is to progress the strategic direction provided by the Board.

5 Materiality Threshold

The Board has agreed on the following guidelines for assessing the materiality of matters:

Materiality – Quantitative

Balance sheet items

Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.

Profit and loss items

Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.

Materiality – Qualitative

Items are also material if:

- (a) they impact on the reputation of the Group;
- (b) they involve a breach of legislation or may potentially breach legislation;
- (c) they are outside the ordinary course of business;
- (d) they could affect the Group's rights to its assets;
- (e) if accumulated they would trigger the quantitative tests;
- (f) they involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items; or
- (g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.

Material Contracts

Contracts will be considered material if:

- (a) they are outside the ordinary course of business;
- (b) they contain exceptionally onerous provisions in the opinion of the Board;
- (c) they impact on income or distribution in excess of the quantitative tests;
- (d) any default, should it occur may trigger any of the quantitative or qualitative tests;
- (e) they are essential to the activities of the Group and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
- (f) they contain or trigger change of control provisions;
- (g) they are between or for the benefit of related parties; or
- (h) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("**Materiality Threshold**").

6 Responsibilities of the Board

The following are regarded as the key responsibilities and functions of the Board:

- to develop, review and monitor the Group's long-term business strategies and provide strategic direction to management;

- to ensure policies and procedures are in place to safeguard the Group's assets and business and to enable the Group to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Group is properly managed and controlled;
- to identify the Group's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance and that management is taking appropriate action to minimise those risks;
- to review and approve the Group's financial statements;
- to monitor management's performance and the Group's financial results on a regular basis;
- to appoint, ratify, appraise and determine the remuneration and benefits of the Managing Director;
- to delegate powers to the Managing Director, if applicable, as necessary to enable the day-to-day business of the Group to be carried on, and to regularly review those delegations;
- to ensure that the Group has in place appropriate systems to comply with relevant legal and regulatory requirements that impact on its operations;
- to determine the appropriate capital management for the Group including share and loan capital and dividend payments; and
- to determine and regularly review an appropriate remuneration policy for employees of the Group.

The Board may not delegate its overall responsibility for the matters listed above. However, it may delegate to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility provided those matters do not exceed the Materiality Threshold.

Directors are encouraged to request information from senior management where they consider such information necessary to make informed decisions.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

7 Responsibilities of Senior Management

Senior Management is responsible for supporting the Managing Director/Executive Director(s) and to assist the Managing Director/Executive Director(s) implement the running of the general operations and financial business of the Group, in accordance with the delegated authority of the Board.

Senior Management is responsible for reporting all matters which fall within the Materiality Threshold at first instance to the Managing Director/Executive Director(s) or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

8 Terms of Office

All directors (except the Managing Director) are required by the Constitution of Astro to submit themselves for re-election at regular intervals and at least every three years.

In light of the time commitment required by appointment to the Board, non-executive directors are asked to limit the number of other directorships for the duration of their appointment with Astro. Non-executive directors are asked to provide the Board with details of other commitments and an indication of time involved. The Board will regularly review the time required of a non-executive director and make an assessment as to whether the directors are able to meet their commitment to Astro.

9 Selection of New Directors

Subject to the Constitution of Astro, the Board shall decide on the recommendations of new directors.

In selecting new members for the Board, directors shall have regard to the appropriate range of qualifications and expertise needed by the Board as a whole. The directors shall endeavour to appoint individuals who will provide a mix of director characteristics and diverse experiences, perspectives and skills appropriate for Astro.

New directors are provided with a letter of appointment which sets out the key terms and conditions of their appointment.

10 Delegation to Committees

The Board from time to time shall establish committees to streamline the discharge of its responsibilities. For each committee, the Board shall adopt a formal charter setting out the matters relevant to the composition, role, responsibilities and administration of such committee.

Committee charters shall be reviewed on a regular basis by the relevant Committee and a report provided to the Board, if required, recommending any necessary or additional duties.

11 Process for Performance Evaluation

The Chair is responsible for evaluation of the Board and, where deemed appropriate, Board committees and individual directors. The Nomination Committee (or its equivalent) is responsible for evaluating the Managing Director. Other senior executives and management are evaluated by the Managing Director.

Performance evaluation of senior executives shall be performed at least once per year.

12 Directors' Shareholdings

All directors have agreed to disclose publicly their shareholdings and all changes thereof as required by the ASX Listing Rules. The disclosed interests in shares held by directors, their associates and their associated entities are the same as their economic interest.

Directors are subject to the Group's "Guidelines For Dealing in Securities" which provide that Astro securities may generally not be bought or sold outside certain prescribed trading windows.

13 Independent Professional Advice

The Board acknowledges the need for independent judgement on all Board decisions, irrespective of each individual director's independence.

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

14 Review of Charter

The Board will regularly review this charter to ensure it remains consistent with the Board's objectives and responsibilities.