

# CORPORATE GOVERNANCE

## Compliance with Corporate Governance Council's Principles

The extent to which the Company has followed the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations is as follows:

Principle	Compliance	CGS References / Comments
<b>Principle 1: Lay solid foundations for management and oversight</b>		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	2, 3.2, 4.2
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	3.11
1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1.  The following material should be included in the corporate governance section of the annual report: <ul style="list-style-type: none"> <li>an explanation of any departure from Recommendation 1.1, 1.2 or 1.3.</li> <li>whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.</li> </ul> The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: <ul style="list-style-type: none"> <li>a statement of matters reserved for the board or the board charter or the statement of areas of delegated authority to senior executives.</li> </ul>	Yes	Annual Report Website CGS
<b>Principle 2: Structure the board to add value</b>		
2.1 A majority of the board should be independent directors.	No	3.5
2.2 The chair should be an independent director.	Yes	3.2, 3.3, 3.5
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	3.2, 3.3
2.4 The board should establish a nomination committee.	No	4.2
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	3.11
2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2.  The following material should be included in the corporate governance statement in the annual report: <ul style="list-style-type: none"> <li>the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.</li> <li>the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds.</li> <li>the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent, notwithstanding the existence of these relationships.</li> <li>a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.</li> <li>the period of office held by each director in office at the date of the annual report.</li> <li>the names of members of the nomination committee and their attendance at meetings of the committee, or where a company does not have a nomination committee, how the functions of a nomination committee are carried out.</li> <li>whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed.</li> </ul>	Yes	Annual Report Website CGS

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Principle	Compliance	CGS References / Comments
<ul style="list-style-type: none"> <li>an explanation of any departure from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly-marked corporate governance section:</p> <ul style="list-style-type: none"> <li>a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors.</li> <li>the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.</li> <li>the board's policy for the nomination and appointment of directors.</li> </ul>		
<b>Principle 3: Promote ethical and responsible decision making</b>		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	No	6. (The principal matters covered by a code of conduct are addressed by other policies.)
3.1.1 the practices necessary to maintain confidence in the company's integrity.		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning trading in company securities by directors officers and employees and disclose the policy or a summary of that policy.	Yes	3.8
3.3 Companies should provide the information indicated in the Guide to Reporting on Principle 3.  The following material should be included in the corporate governance statement in the annual report: <ul style="list-style-type: none"> <li>an explanation of any departures from Recommendations 3.1, 3.2 or 3.3 should be included in the corporate governance statement in the annual report.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>any applicable code of conduct or a summary.</li> <li>the trading policy or a summary of its main provisions.</li> </ul>	Yes	Annual Report Website CGS
<b>Principle 4: Safeguard integrity in financial reporting</b>		
4.1 The board should establish an audit committee.	No	4.2
4.2 Structure the audit committee so that it: <ul style="list-style-type: none"> <li>consists only of non-executive directors.</li> <li>consists of a majority of independent directors.</li> <li>is chaired by an independent chair, who is not chair of the board.</li> <li>has at least three members.</li> </ul>	Not applicable	See CGS 4.2
4.3 The audit committee should have a formal charter.	Not applicable	See CGS 4.2
4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4.  The following material should be included in the corporate governance statement in the annual report: <ul style="list-style-type: none"> <li>details of the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee or, where a company does not have an audit committee, how the functions of an audit committee are carried out.</li> <li>the number of meetings of the audit committee and the names of the attendees.</li> <li>explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4.</li> </ul>	Yes	Annual Report Website CGS

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Principle	Compliance	CGS References / Comments
<p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>the audit committee charter.</li> <li>information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.</li> </ul>		
<b>Principle 5: Make timely and balanced disclosure</b>		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	7.1, 8.2
<p>5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5.</p> <p>The following material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> <li>an explanation of any departures from Recommendation 5.1 or 5.2.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>the policies or a summary of those policies designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting them to the company's web site in a clearly marked corporate governance section.</li> </ul>	Yes	Annual Report Website CGS
<b>Principle 6: Respect the rights of shareholders</b>		
6.1 Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	8.1
<p>6.2 Companies should provide the information indicated in Guide to Reporting on Principle 6.</p> <ul style="list-style-type: none"> <li>an explanation of any departures from best practice recommendations 6.1 or 6.2 should be included in the corporate governance statement in the annual report.</li> <li>the company should describe how it will communicate with its shareholders publicly, ideally by posting the information on the company's website in a clearly marked corporate governance section.</li> <li>a description of the arrangements the company has to promote communication with shareholders.</li> </ul>	Yes	Annual Report Website CGS
<b>Principle 7: Recognise and manage risk</b>		
7.1 Companies should establish policies for oversight and management of material business risks and disclose a summary of those policies.	Yes	7.1
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	7.1
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	7.1
<p>7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7.</p> <p>The following material should be included in the corporate governance section of the annual report:</p> <ul style="list-style-type: none"> <li>an explanation of any departures from best practice recommendations 7.1, 7.2, 7.3 or 7.4.</li> </ul>	Yes	Annual Report Website CGS

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Principle	Compliance	CGS References / Comments
<ul style="list-style-type: none"> <li>whether the board has received the report from management under Recommendation 7.2.</li> <li>whether the board has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>a summary of the company's policies on risk oversight and management of material business risks.</li> </ul>		
<b>Principle 8: Remunerate fairly and responsibly</b>		
8.1 The board should establish a remuneration committee.	No	4.2
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Remuneration Report in the Directors' Report
<p>8.3 Companies should provide the information indicated in the Guide to Reporting on Principle 8.</p> <p>The following material or a clear cross-reference to the location of the material should be included in the corporate governance statement in the annual report:</p> <ul style="list-style-type: none"> <li>the names of the members of the remuneration committee and their attendance at meetings of the committee or, where a company does not have a remuneration committee, how the functions of a remuneration committee are carried out.</li> <li>the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors.</li> <li>an explanation of any departure from Recommendations 8.1, 8.2 or 8.3.</li> </ul> <p>The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:</p> <ul style="list-style-type: none"> <li>the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.</li> <li>a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.</li> </ul>	Yes	Annual Report Website CGS

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT (CGS)

### 1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of corporate governance. Good corporate governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Corporate Governance Principles and Recommendations developed by the ASX Corporate Governance Council ("Council"). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of the Council's recommendations can be found on the ASX website at:

[http://www.asx.com.au/about/corporate\\_governance/revise\\_corporate\\_governance\\_principles\\_recommendations.htm](http://www.asx.com.au/about/corporate_governance/revise_corporate_governance_principles_recommendations.htm)

### 2. Board of Directors - Role and Responsibilities

In general the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the matters set out below, subject to delegation as specified elsewhere in this Statement or as otherwise appropriate:

- (1) formulation and approval of the strategic direction, objectives and goals of the Company;
- (2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- (3) the resourcing, review and monitoring of executive management;

- (4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- (5) the identification of significant business risks and ensuring that such risks are adequately managed;
- (6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- (7) the establishment and maintenance of appropriate ethical standards;
- (8) responsibilities typically assumed by an audit committee including:
  - (a) reviewing and approving the audited annual and reviewed half-yearly financial reports; and
  - (b) reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;
- (9) responsibilities typically assumed by a remuneration committee including:
  - (a) reviewing the remuneration and performance of Directors;
  - (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executives' performance, including setting goals and reviewing progress in achieving those goals; and
  - (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes; and
- (10) responsibilities typically assumed by a nomination committee, including:
  - (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors; and
  - (b) oversight of Board and Executive succession plans.

### 3. Board of Directors - Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and the scale and nature of the Company's activities. The names of the Directors in office currently and during the 2008/2009 year and their qualifications and experience are stated in the Directors' Report for the year ended 30 June 2009.

# CORPORATE GOVERNANCE

## 3.1. Skills, Knowledge and Experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board recognises its need to contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration and Director-level business or corporate experience, having regard to the scale and nature of the Company's activities. A Director is initially appointed by the Board and (other than the Managing Director) retires and may stand for re-election at the next Annual General Meeting after their appointment.

## 3.2. Chairman, Managing Director and Executive Directors

The Chairman leads the Board and has responsibility for ensuring that the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board. The Chairman of the Company is Dr John Stephenson, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2009. As part of a strategic review of the Board, amongst other matters as explained in detail in the Directors' Report, Dr John Stephenson has advised the Company that he intends to step down as Chairman. Dr Stephenson will remain on the Board as a Non-Executive Director. Dr Stephenson will formally step down once a new Chairman is appointed. In this regard, the Board has commenced a formal selection process for the appointment of a replacement Chairman.

The Managing Director is responsible and accountable to the Board for the Company's management. The Managing Director of the Company is Mr H. Shanker Madan, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2009.

Messrs Farooq Khan and William Johnson are Executive Directors of the Company, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2009. Mr Victor Ho was an Executive Director of the Company during the whole of the year ended 30 June 2009. As part of a strategic review of the Board, amongst other matters as explained in detail in the Directors' Report, Mr Ho stood down as a Director on 25 September and Messrs Khan and Johnson will transition from Executive to Non-Executive Directors after the conclusion of the 2009 AGM to be held on 25 November 2009.

## 3.3. Non-Executive Directors

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Chairman is a Non-Executive Director - Dr John Stephenson.

Professor Malcolm Richmond (appointed 25 October 2006) is a Non-Executive Director. Mr A. Farhad Moshiri (appointed 29 July 2008) is a Non-Executive Director. Mr Moshiri has appointed Mr Mark P. M. Horn as his Alternate Director. Mr Matthew Hammond (appointed 25 September 2009) is a Non-Executive

Director. The qualifications and experience of the Non-Executive Directors are stated in the Directors' Report for the year ended 30 June 2009.

## 3.4. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is Mr Victor Ho, whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2009.

## 3.5. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

- (1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (2) within the last 3 years has not been employed in an Executive capacity by the Company;
- (3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the provision of material professional or consulting services;
- (4) is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (5) has no material contractual relationship with the Company other than as a Director of the Company; and
- (6) is free from any interest and any 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.

Within the current Board, Non-Executive Directors Dr Stephenson and Professor Richmond are regarded as independent Directors. Mr Moshiri is a Director of a substantial shareholder of the Company and is not regarded as independent. Mr Hammond holds a senior management position with a substantial shareholder of the Company and is not regarded as independent. The balance of the Board members, being Executive Directors, are not considered independent within the above definition.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of a majority of independent Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

# CORPORATE GOVERNANCE

The Company completed a review of the composition of its Board in September 2009. Arising from the review the Company has moved from having a majority of Executive Directors to a majority of Non Executive Directors. When the Board restructure is complete, after the 2009 AGM, the Board will comprise a new Non-Executive Chairman, Mr Shanker Madan as Managing Director and Dr John Stephenson, Professor Malcolm Richmond, Mr Farooq Khan, Mr Farhad Moshiri, Mr William Johnson and Mr Matthew Hammond as Non-Executive Directors. This new Board structure is being implemented to accord with established corporate governance principles and will better accommodate the needs of the Company as it transitions from being an explorer to a developer of significant mining projects.

### 3.6. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

- (1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or his duties to any other parties and the interests of the Company in carrying out the activities of the Company; and
- (2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters to which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

### 3.7. Related-Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

### 3.8. Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities is set by the Board. The Board prohibits Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the prices of the Company's securities. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Dealings in the Company's securities by officers and employees are not permitted at any time whilst they are in the possession of price-sensitive information not already available to the market.

### 3.9. Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

### 3.10. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director (other than any Managing Director) may not retain office for more than three calendar years or beyond the third Annual General Meeting following their election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors (save for any Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

The initial appointment and last re-election dates of each Director are listed below.

Director	Appointed	AGM Last Re-elected
John Stephenson	26 October 2005	6 November 2008
H. Shanker Madan	26 September 2005	22 December 2005 (As Managing Director Mr Madan has not been subject to further re-election)
Farooq Khan	9 September 1999	13 September 2006 (standing for re-election at the 25 November 2009 AGM)
William Johnson	14 July 2006	13 September 2006 (standing for re-election at the 25 November 2009 AGM)
Malcolm Richmond	25 October 2006	30 November 2007
A. Farhad Moshiri	29 July 2008	6 November 2008
Matthew Hammond	25 September 2009	Standing for re-election at the 25 November 2009 AGM

### 3.11. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Non-Executive Chairman is responsible for reviewing the performance and remuneration of the Executive Directors. The Chairman also speaks to Directors individually regarding their role as a Director.

# CORPORATE GOVERNANCE

## 3.12. Meetings of the Board

The Chairman and Company Secretary schedule formal Board meetings whenever necessary to deal with specific matters requiring attention. Circulatory Resolutions are also utilised where appropriate either in place of or in addition to formal Board meetings.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

## 3.13. Independent Professional Advice

Subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

## 3.14. Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential all information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

## 3.15. Directors' Deeds

The Company has also entered into a deed with each of the current Directors and the Company Secretary to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company (or of any of its wholly-owned subsidiaries). A summary of the terms of the deed is contained in the Company's notice of meeting dated 31 May 2006 for a general meeting held on 14 July 2006 where shareholders approved the Company entering into that deed with each of Dr Stephenson and Messrs Madan and Khan. Shareholders approved the Company entering into a deed on the same terms with Mr Johnson (on 13 September 2006) and Professor Richmond (on 6 March 2007). Shareholders will vote at the Annual General Meeting on 25 November 2009 on a proposal to authorise the Company to enter into new updated Directors' Deeds with all Directors.

## 4. Management

### 4.1. Executives

Please refer to section 3.2 for details of the Company's Managing Director and Executive Directors. The Company presently has one other Executive Officer being the Company Secretary. The Company does not presently have a Chief Financial Officer.

The Board is of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties.

The Board has determined that the Managing Director is the appropriate person to make the Chief Executive Officer equivalent declaration and the Company Secretary is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the year ended 30 June 2009, as required under section 295A of the Corporations Act and recommended by the Council.

## 4.2. Board and Management Committees

In view of the current composition of the Board, the Board has considered that establishing formally-constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is, matters typically dealt with by audit, nominations and remuneration committees are dealt with by the full Board.

As the Board composition will change from having a majority of Executive Directors to a majority of Non Executive Directors after the conclusion of the 2009 AGM to be held on 25 November 2009, the Board will reconsider the issue of establishing formally-constituted Board sub-committees for audit, board nominations or remuneration matters.

## 5. Remuneration Policy

Please refer to the Remuneration Report in the Director's Report for the year ended 30 June 2009. The Company currently does not have any unvested options on issue to Directors. If any options are issued to Directors in future that do not vest immediately the Company's policy is to require the Director option holders not to enter into transactions in associated products which limit the economic risk of holding unvested options.

## 6. Code of Conduct and Ethical Standards

The Company was not of a size that warranted the establishment of a formal code of conduct that guides compliance with obligations to stakeholders during the year ended 30 June 2009. However, the Company's policies are focussed on ensuring that all Directors, Executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company. Many of the items commonly found in a code of conduct are covered by the Company's policies designed to deal with compliance risk identified in section 7.1 of this Statement.

# CORPORATE GOVERNANCE

## 7. Internal Control, Risk Management and Audit

### 7.1. Internal Control and Risk Management

The Board of Directors is responsible for the overall internal control framework (which includes risk management) and oversight of the Company's policies on and management of risks that have the potential to impact significantly on operations, financial performance or reputation.

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably-qualified and experienced service providers and suitably-qualified and experienced management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

On a day-to-day basis, managing the various risks inherent in the Company's operations is the responsibility of the Executive Directors and the Company Secretary.

Risks facing the Company can be divided into the broad categories of health and safety, operations, compliance and market risks.

Health and safety risk is one of the most important risks faced by a resources company. Apart from the inherent unacceptability of threats to life or health, safety incidents have the potential to seriously damage the Company's reputation and ability to operate its business. The Company takes a "zero tolerance" approach to any situation that might compromise the health or safety of staff, contractors or members of the community. This risk is addressed by comprehensive safety policies and training and a requirement that any safety incident or "near miss" is reported to the Board.

Operations risk refers to risks arising from day to day operational activities which may result in direct or indirect loss from inadequate or failed internal processes, people or systems or external events. The Executive Directors have delegated responsibility from the Board for identification of operations risks generally, for putting processes in place to mitigate them and monitoring compliance with those processes. The Company has clear accounting and internal control systems to manage risks to the accuracy of financial information and other financial risks.

Compliance risk is the risk of failure to comply with all applicable legal and regulatory requirements and industry standards and the corresponding impact on the Company's business, reputation and financial condition. The Company's compliance risk management strategy ensures compliance with key legislation affecting the Company's activities.

A key principle of the Company's compliance risk management strategy is to foster an integrated approach where line managers are responsible and accountable for compliance, within their job descriptions and within overall guidance developed by the Company Secretary assisted by the General Counsel.

The Company's compliance strategy is kept current with advice from senior external professionals and the ongoing training of Executives and other senior personnel involved in compliance management.

The Company has policies on responsible business practices and ethical behaviour including conflict of interest, anti-corruption and share trading policies to maintain confidence in the Company's integrity and ensure legal compliance.

Market risk encompasses risks to the Company's performance from changes in resource prices, currency exchange rates, capital markets and economic conditions generally. The Board regularly assesses the Company's exposure to these risks and sets the strategic direction for managing them.

The Company's approach to risk management is not stationary; it evolves constantly in response to developments in operations and changing market conditions.

The Board has determined that the Managing Director is the appropriate person to make the Chief Executive Officer equivalent declaration and the Company Secretary is the appropriate person to make the Chief Financial Officer equivalent declaration in respect of the year ended 30 June 2009, on the risk management and internal compliance and control systems recommended by the Council.

The Board has received assurances from the Managing Director and the Company Secretary that the declarations they provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

### 7.2. Audit

The Company's external auditor (**Auditor**) is selected for its professional competence, reputation and the provision of value for professional fees. Within the audit firm, the partner responsible for the conduct of the Company's audits is rotated every three years. The Auditor is invited to annual general meetings to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report.

## 8. Communications

### 8.1. Market and Shareholder Communications

The Company is owned by shareholders. Increasing shareholder value is the Company's key mission. Shareholders require an understanding of the Company's operations and performance to enable them to see how that mission is being fulfilled. The Directors are the shareholders' representatives. In order to properly perform their role, the Directors need to be able to ascertain the shareholders' views on matters affecting the Company.

# CORPORATE GOVERNANCE

The Board therefore considers it paramount to ensure that shareholders are informed of all major developments affecting the Company and have the opportunity to communicate their views on the Company to the Board. Information is communicated to shareholders and the market through various means including:

- (1) the Annual Report which is distributed to shareholders if they have elected to receive a printed version and is otherwise available for viewing and downloading from the Company's website;
- (2) the Annual General Meeting (AGM) and other general meetings called to obtain shareholder approvals as appropriate. The Chairman gives an address at the AGM updating shareholders on the Company's activities;
- (3) Half-Yearly Directors' and Financial Reports which are posted on the Company's website;
- (4) Quarterly Activities and Cash Flow Reports which are posted on to the Company's website; and
- (5) other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders, which is also posted on the Company's website.

Shareholders communicate with Directors through various means including:

- (1) having the opportunity to ask questions of Directors at all general meetings;
- (2) the presence of the external auditor at Annual General Meetings to take shareholder questions on any issue relevant to their capacity as auditor;
- (3) the Company's policy of expecting Directors to be available to meet shareholders at Annual General Meetings; and
- (4) the Company making Directors and selected senior employees available to answer shareholder questions submitted by telephone, email and other means.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: [www.strikeresources.com.au](http://www.strikeresources.com.au) or the ASX website: [www.asx.com.au](http://www.asx.com.au) under ASX code "SRK". The Company also maintains an email list for the distribution of the Company's announcements via email in a timely manner.

## 8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with ASX.

In accordance with the Corporations Act and ASX Listing Rule 3.1 the Company immediately notifies ASX of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, subject to exceptions permitted by that rule. A reasonable person is taken to expect information to have a material effect on the price or value of the Company's securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

All staff are required to inform their reporting manager of any potentially price-sensitive information concerning the Company as soon as they become aware of it. Reporting managers are in turn required to inform the Executive Director to whom they report or, in their absence, another Executive Director of any potentially price-sensitive information.

In general, the Company will not respond to market speculation or rumours unless ASX or an applicable law requires it to do so.

Only the Directors and employees who have been authorised by them may speak on the Company's behalf to the media, investors and analysts.

The Company may request a trading halt from ASX to prevent trading in its securities if the market appears to be uninformed. The Executive Directors are authorised to determine whether to seek a trading halt.

22 October 2009