

The Corporate Governance Principles and Recommendations

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Principle 2 - Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

Recommendation 2.2: The chair should be an independent director.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

Recommendation 2.4: The board should establish a nomination committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Principle 3 - Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Principle 4 - Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members.

Recommendation 4.3: The audit committee should have a formal charter.

Principle 5 - Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 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.

Principle 6 - Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Companies should design 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.

Principle 7- Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 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.

Recommendation 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.

Principle 8- Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Board sets out below its “if not, why not” report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The company has established the functions that are reserved to the Board. As the company only has 3 Board members these functions are generally undertaken by the whole board and are:

- Overseeing the company, including its control and accountability systems.
- Appointing and removing senior executives.
- Development of corporate strategy and performance objectives.
- Monitoring systems of risk management and internal control, codes of conduct, and legal compliance.
- Monitoring senior executives' performance and implementation of strategy.
- Ensuring appropriate resources are available to senior executives.
- Development of capital expenditure proposals, capital management, deciding on acquisitions and divestitures.
- Prepares all financial and other reports.

The company has established the functions that are reserved to the Senior executives. These functions are:

As the company only has one senior executive – the exploration manager, his functions relate to the selection and definition of exploration targets, meeting reporting deadlines imposed under the various Mining Acts and Regulations, complying with mine safety requirements, and all other matters relating to exploration activities. The exploration manager reports directly to the Board.

Recommendations 1.2: Companies should disclose the process for evaluating the performance of senior executives

The company's sole senior executive role in the company is regularly reviewed at Board meetings in both a formal and informal setting.

Principle 2: Structure the board to add value

Recommendation 2.1: A majority of the Board should be independent directors

Notification of Departure

Only one of the directors is considered to be independent – Mr Derrick Sufredo. Messrs Peter N Smith and Michael J Povey are not considered to be independent.

Explanation for Departure

Given the size and scope of the Company's operations and given it is at exploration stage, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. The Board will continue to monitor its composition and make appropriate changes to its composition as and when the Board deems fit.

Recommendation 2.2: The chairperson should be an independent director

Notification of Departure:

The chairperson, Mr Peter N Smith is not an independent director

Explanation for Departure:

While the Board recognises the importance of independence in decision making, it does not comply with Recommendation 2.2 as Peter Smith, the current chair, does not satisfy the independence criteria in paragraphs 1, 2, 4 and 5 of Box 2.1 of the ASX Principles and Recommendations. The Board believes that Peter Smith is the most appropriate person for the position as chair because of his experience.

Recommendation 2.3: The roles of the chairperson and chief executive officer (or equivalent) should not be exercised by the same individual

Notification of Departure:

Peter Smith is appointed as chairperson and also carries out some of the functions of a chief executive officer. The Company has not formally appointed a chief executive officer (or equivalent).

Explanation for Departure:

The Board considers that, in view of the size of the Company's activities, it is appropriate for Peter Smith to lead the Company in both a strategic and, to some extent, in a day-to-day capacity. The Board considers that at this stage, it is not necessary to appoint a chief executive officer (or equivalent). Each individual director reports to their fellow board members regularly at Board meetings. The Board will continue to monitor its composition and that of senior management and make appropriate changes as and when the Board deems fit.

Recommendation 2.4: The Board should establish a nomination committee

Notification of Departure:

There is no nomination sub-committee.

Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a nomination committee. The composition of the Board does not make the establishment of a separate nomination committee practicable. The Board has adopted a nomination committee charter, which it applies when convening as the nomination committee.

Recommendation 2.5: The Board should have a process for evaluating the performance of the Board, its committees and individual directors

The Chairman regularly reviews the performance of the other 2 directors, and if necessary, makes suggestions. Other than the Audit Committee all functions are carried out by the full board.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Notification of Departure:

The Company has established a Diversity Policy, however, the policy does not include requirements for the Board to establish measurable objectives and the reporting of gender proportions at the workplace.

Explanation for Departures:

Given the size and scope of the Company's operations and given it is at exploration stage, the Board considers it not yet appropriate to report on these matters.

Principle 4: Safeguard integrity in financial reporting

Recommendation: 4.2: The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board; and has at least 3 members.

Notification of Departure:

The audit committee comprises 2 members one of whom is non-executive. Only one member is independent although the chair of the audit committee is not the chairperson of the Company.

Explanation for Departure:

Given the size and structure of the Board, the Company is unable to meet the composition requirements under the recommendation. The Board has adopted, and the audit committee applies, an audit committee charter.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a remuneration committee

Notification of Departure:

A separate remuneration committee has not been formed.

Explanation for Departure:

The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. However, similarly to its approach to nomination-related matters, the Board has adopted a remuneration committee charter, which it applies when convening as the remuneration committee. No directors participate in any deliberations regarding their own remuneration or related issues.