

## Corporate Governance Statement

The ASX Corporate Governance Council requires that the Company must disclose the extent to which it has followed its recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations.

The ASX Corporate Governance Council recognises that not all recommendations are appropriate for all companies and that companies should only adopt those recommendations that are suitable in each individual case.

The following is a summary of policies adopted by the Company and where appropriate, explanations of where the recommendations have not been applied. The various policies and procedures were followed throughout the entire financial year.

### Board Composition and Functions

Under the Company's Constitution, the Board is required to consist of at least 3 and no more than 10 directors. If the Company has 3 or more directors, one third of the directors, with the exception of the Managing Director, must retire and seek re-election at the Annual General Meeting each year.

The Board of the Company currently consists of 2 executive directors and 4 independent non-executive directors. The Board includes the Managing Director (executive) and the Chairman (non-executive). Directors of the Company during the financial year and information pertaining to individual directors are included in the Directors' Report.

The Board composition complies with ASX recommendations, in that a majority of directors are independent. The roles of Chairman and Chief Executive Officer (or Managing Director) are not exercised by the same person, and the Board is considered to be comprised of directors with the experience and qualifications best suited to the Company's size and range of activities.

The Company has an independent Chairman (Oscar Aamodt). The Company has followed ASX recommendations in the assessment of whether a director is considered to be "Independent". The other independent directors are Rod Marston, John Christie and Peter Bilbe.

The Board is responsible for corporate strategy, implementation of business plans, allocation of resources, approval of budgets and capital expenditure, and the adherence to Company policies. The Board is also responsible for compliance with the Code of Conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of the Managing Director, Company Secretary and other senior management.

The Board delegates other responsibilities to committees, executive directors and senior management. The matters reserved to the Board are in the Board Charter in the Corporate Governance section of the Company's website. The roles of and matters reserved to senior executives are considered internal matters and are not publicly available.

The process for evaluating the performance of the Board and individual directors and senior executives is detailed in the Remuneration Policy which is in the Corporate Governance section of the Company's website. Executive directors and senior executives' performance was last evaluated in December 2008. Performance of non-executive directors was last evaluated in March 2009. The process for evaluating performance was in accordance with the Company's Remuneration Policy.

Board members have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense.

### Director Independence

The Company has established guidelines for testing the independence of directors.

A director is considered to be independent if they satisfy certain criteria, the most significant being as follows:

- The director must be in a non-executive role where any fees payable by the Company could not be considered to make the director reliant on such remuneration. The director must have no other material contractual relationship with the Company other than as a director of the Company;
- The director is not a substantial shareholder of the Company;
- The director has not been employed in an executive capacity by the Company and has not been a principal of a material adviser or consultant to the Company within the last 3 years; and
- The director is free from any interest which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

The full policy on determining the independence of directors is available in the Corporate Governance section of the Company's website.

## Risk Management

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal, statutory and ethical matters;
- monitor the business environment;
- identify business risk areas;
- identify business opportunities; and
- monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

Management has implemented a risk management system whereby all identified risks are entered into a risk register. Any controls implemented to mitigate these risks are then linked to the risks to produce a mitigated risk register. The register is updated on a monthly basis by management and a quarterly update of the register is provided to the Board. The Board meets at least annually with senior management to interrogate the risk register and to ensure that all reasonable procedures are put in place to mitigate the Company's risks. The last full risk management review by the Board was held in May 2009.

The Board meets on a regular basis. The Company commissions an internal audit to be performed by an independent consultant twice each year to assess compliance with the Company's internal financial control policies and procedures. The independent consultant reports to the Audit Committee.

The Managing Director and Company Secretary are required to provide written assurance to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating effectively in all material respects in relation to the Company's material business risks.

The Company has put in place guidelines to ensure that directors and officers do not trade in the Company's shares if they are aware of non-public information that could be expected to have a material effect on the market price of the Company's shares. The Company has also put in place a restriction on any employee or director securing 3% or more of the Company's shares by way of margin loans. Directors and employees are prohibited from entering into transactions or arrangements which limit the risk of participating in unvested employee entitlements (ie. hedging arrangements). The full Share Trading Policy is available on the Company's website.

As the Company operates an underground mine, subsidence or rock falls are considered to be the main operational risk. The mine site has a Ground Control Management Plan ("GCMP") which is regularly updated as part of the risk management process. Daily operations and proposals for development of new areas in the mine take into account the procedures and recommendations of the GCMP, which takes into account seismic activity and ground support requirements under various conditions.

The oversight and management of other categories of material business risk are addressed specifically elsewhere in this report.

## Audit Committee

The Company has established an Audit Committee which is responsible for the following:

- oversee the existence and maintenance of internal controls and accounting systems, including the implementation of mandatory and non-mandatory accounting policies and reporting requirements;
- oversee the financial reporting process, including reviewing and reporting to the Board on the accuracy of all financial reports lodged with ASX which include the quarterly, half-yearly and annual financial reports;
- recommend to the Board the nomination, removal and remuneration of the external auditors; and
- review the external audit arrangements, including ensuring that any non-audit services provided do not impair auditor independence.

The Audit Committee reports to the Board and meets as required, but in any case at least twice each year. Current members are Rod Marston, John Christie and Oscar Aamodt. Rod Marston is a geologist with corporate experience. John Christie is a qualified accountant/chartered secretary and Oscar Aamodt is a chartered secretary, both having considerable financial and managerial experience. The Committee has authority to seek any pertinent information it requires from any employee or external party. Qualifications held by the individuals on the Audit Committee are included in the Directors' Report. The chairman of the Committee is John Christie.

The Audit Committee follows ASX recommendations as the members are all independent non-executive directors.

Any member of the Committee is able, and obliged, to bring any matter to the attention of the Board where the member believes the matter has not been adequately dealt with by the Committee, or is of significant importance that the Board should be informed.

The Managing Director and Company Secretary are required to state in writing to the Board that the Company's financial reports present a true and fair view of the Company's financial condition and that operational results are reported in accordance with relevant accounting standards. The Auditor is required to attend the Company's annual general meeting. Providing the external auditor performs to the satisfaction of the Audit Committee and audit independence is not considered to be impaired, there is no requirement for a rotation of external audit partners, other than as required by law and to comply with accounting standards and interpretations.

The Audit Committee Charter is available on the Company's website.

### **Hedging Committee**

The Company has established a Hedging Committee to make recommendations to the Board on hedging policies and to maintain the hedging portfolio. The members of the Hedging Committee at the date of this report are Oscar Aamodt, John Christie and Kelly Ross.

### **Procedure for the Selection of New Directors**

The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. Incumbent directors due to retire by rotation are automatically nominated for re-election, subject to the willingness of the director to continue on the Board and providing there are no objections raised by other Board members.

Corporate performance is enhanced when the Board has an appropriate mix of skills and experience. The Board is evaluated before a candidate is selected to join the Board. Candidates are nominated by existing Board members and independent search consultants are also utilised if necessary. Where a director nominates a candidate for the Board, the director must disclose any pre-existing relationship with the nominee.

New directors are provided with a letter of appointment setting out their responsibilities and rights, and are provided with a copy of the Company's Constitution and corporate governance policies.

The full policy for nomination of directors is available on the Company's website.

### **Compensation of Board Members**

The Company's policies and procedures relating to the remuneration of board members and senior management are contained in the Remuneration Report which forms part of the Directors' Report.

### **Conflicts of Interest**

The Board has implemented Code of Conduct and Share Trading Policies which have been designed to ensure that all directors and employees of the Company act ethically and do not use confidential information for personal gain.

These policies are available on the Company's website.

### **Code of Conduct**

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community. The Code of Conduct adopted by the Company requires that all employees abide by the laws, regulations and business practices wherever the Company operates. The Board maintains an approach that preserves the integrity of any laws or regulations under which the Company operates. The Company has also put in place various internal policies which provide internal controls to ensure employees only act within the authority given to them by the Board. This is to ensure that the Board has responsibility for any material transactions and dealings with outside parties, and that any legal, environmental and social consequences of such dealings will be properly considered before any action is taken.

## Environmental Policy

The Company has an Environmental Policy which requires that all employees comply with the environmental regulations in force in the region in which work is undertaken. The Company is committed to dealing fairly and equitably with interested parties relating to environmental issues, such as landholders, governmental agencies and native title claimants.

## Sustainability Report

The Company purchased and commenced operations at the Long Nickel Mine in the last quarter of 2002. This mine had been operating for approximately 21 years before being placed on care and maintenance about 3 years before being purchased by the Company.

At the time of the acquisition the Company was cognizant of the difficulty of re-opening what was historically a challenging mining operation. The primary focus of management was ensuring that the operations could be conducted with safety as a priority, with operating procedures and production targets that did not jeopardize that objective. As a result the safety record of the Company has been of a high standard. The details are provided in the Operations Report section of this Annual Report.

The Company has also aimed to employ as many of its people from the local community as possible, as without this ongoing employment the community in which we operate will diminish and local facilities will be neglected due to lower population numbers. The Company also assists the local community by contributing to the development of facilities needed to encourage people to remain in the area and has spent \$387,000 on community activities and facilities since commencing operations in 2002.

The Company's environmental footprint was impacted by the arrangements that were imposed pursuant to the purchase agreement, which meant that the key inputs to the operation were already in place, leaving the Company with minimal scope to pursue alternative environmentally favourable supplies of key inputs. However, by carrying out reviews of the consumption of key inputs to the mine, the quantity of water and electricity used has declined over the last two financial years by approximately 43% and 7% respectively.

In addition the Company has been using material from the surrounding tailings storage dams as backfill in the mine. This is assisting with the reduction in the potential environmental impact in the area.

The reporting requirements under The National Greenhouse and Energy Reporting Act 2007 became effective from 1 July 2008. As the Company is an energy consumer it has registered under the Act and will report its emissions as a result of power and diesel fuel usage on an annual basis.

The Company has developed specific policies and procedures to ensure that we are able to comply with the laws and regulations that affect the mining and exploration activities being conducted by the Company. These are reviewed as part of the Company's risk management procedures and varied as necessary to ensure compliance in all jurisdictions in which we operate.

## Disclosure of Information to ASX and Investors

The Company has established policies and procedures relating to the disclosure of information to interested parties. The Company Secretary is responsible for ensuring the Company complies with ASX Listing Rules and general continuous disclosure obligations. The following policies and procedures are contained in the Corporate Governance section of the Company's website:

- Code of Conduct
- Director Independence
- Legal, Environmental & Social Responsibilities
- Remuneration Policy
- Risk Management & Internal Control Procedures
- Audit Committee
- Board and Management Responsibilities
- Compliance with ASX Disclosure Requirements
- Nomination of Directors
- Directors' and Officers' Trading in Securities
- Communication with Shareholders
- Investor Relations and Media Interaction