



CORPORATE GOVERNANCE STATEMENT

1. BOARD OF DIRECTORS AND ITS COMMITTEES

1.1. Role of the Board

- 1.1.1. The Boards' primary role is the protection and enhancement of long-term shareholder value.
- 1.1.2. To fulfil this role, the Board is responsible for oversight of the management and overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring achievement of these goals.

1.2 Board Processes

- 1.2.1 To assist in the execution of its responsibilities, the Board has established an Audit Committee. The Board has also established a framework for the management of the Company including a system of internal control and the establishment of appropriate ethical standards. Business risk management processes are constantly monitored by the Executive Directors as they have a very close association with the day to day operation of the Company.
- 1.2.2 The full Board currently meets approximately every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise.
- 1.2.3 The agenda for meeting is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Directors Report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advanced. Senior executives are regularly involved in Board discussions and Directors have other opportunities for contact with all employees.
- 1.2.4 The Board conducts an annual review of its processes to ensure that it is able to carry out its function in the most effective manner.

1.3 Composition of the Board

- 1.3.1 The names of the Directors of the Company in office at the date of this statement are set out in the Director's report.
- 1.3.2 The composition of the Board is determined using the following principles:
 - 1.3.2.1 a minimum of three Directors, with a broad range of business expertise;
 - 1.3.2.2 a non-executive Director as Chairman;
 - 1.3.2.3 a majority of non-executive Directors
 - 1.3.2.4 sufficient Directors to serve on various Committees without over burdening the Director or making it difficult for them to fully discharge their responsibilities;
 - 1.3.2.5 no maximum period of service but subject to re-election every three years (except for the Managing Director) with retirement by the age of 70.

- 1.3.3 An independent Director is a Director who is not a member of Management (Non – executive Director) and who:
- 1.3.3.1 Is not a substantial shareholder of the Company or an officer of or otherwise associated directly or indirectly, with a substantial shareholder of the Company.
 - 1.3.3.2 Has not within the last three years been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment.
 - 1.3.3.3 within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company
 - 1.3.3.4 is not an significant supplier or customer of the Company, or an officer of or otherwise associated, directly or indirectly, with significant supplier of customer nor has any material contractual relationship with the Company other than as a Director of the Company.
 - 1.3.3.5 Is free from any interest and any business or other relationship which could or could be reasonably perceived to be, materially interfere with his or her ability to act in the best interest of the Company.

1.4 Conflict of Interest

- 1.4.1 Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of the Director – related entity transactions with the Company are set out in Notes to the Annual Financial Report.

2 NOMINATION COMMITTEE

- 2.1 The Nomination Committee is responsible for determining the state of Director nominees for election to the Board, and to identify and recommend candidates to fill casual vacancies.

3 DIRECTOR EDUCATION

- 3.1 The Company has no formal process to educate new Directors about the nature of the business, current issues or corporate strategy. Accordingly, Directors are sourced who have relevant industry knowledge to enable them to validly contribute immediately. Directors also have the opportunity to meet with all employees to gain a better understanding of the operations.

4 DIRECTOR DEALINGS IN COMPANY SHARES

- 4.1 Directors and senior management may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options whilst in possession of price sensitive information
- 4.2 Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must advise the ASX of any transactions conducted by them in shares in the Company.

5 INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

- 5.1 Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

6 REMUNERATION COMMITTEE

- 6.1 The Remuneration Committee operates to a formal charter which is published on the Company's website. All members must be Non – Executive. The Chairman of the Remuneration Committee must be an independent Director
- 6.2 It is responsible for reviewing and making recommendations to the Board regarding the compensation arrangements for the Executive and Non – Executive Directors, the senior management and its controlled entities (including the incentive option plans and other benefit plans), and service contracts.
- 6.3 It will also be responsible for considering general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

7 AUDIT COMMITTEE

- 7.1 The Audit Committee operates to a formal charter which is published on the Company's website. All members must be non – executive, the Chairman of the Audit Committee may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of framework of internal control and appropriate ethical standards for the management of the Company.
- 7.2 The members of the Audit Committee during the year comprise of the Non – Executive Directors of the Company and with the external auditor invited to attend all meetings
- 7.3 The external auditors, Managing Director and Company Secretary are invited to Audit Committee meetings at the discretion of the Committee. The Committee meets three times during the year.
- 7.4 The responsibilities of the Audit Committee include:
- 7.4.1 reviewing the annual, half year and concise (if any) financial reports and other financial information distributed externally including new accounting policies to ensure compliance with International Accounting Standards and generally accepted accounting principles;
 - 7.4.2 monitoring risk;
 - 7.4.3 considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence;
 - 7.4.4 reviewing the nomination and performance of the external auditor. The external auditors were appointed in June 2004. the external audit engagement partner will be rotated at least every 4 years;
 - 7.4.5 monitoring the establishment of appropriate ethical standards;
 - 7.4.6 monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;

- 7.4.7 addressing any matters outstanding with auditors, Australian Taxation Office (ATO), Australian Securities and Investment Commission (ASIC), Australian Stock Exchange (ASX) and financial institutions.
- 7.5 The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:
- 7.5.1 To discuss the external audit, identifying any significant changes in structure, operations, and internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for audit work to be performed;
- 7.5.2 Prior to announcement results;
- 7.5.3 To review the half year and preliminary final report prior to lodgement with the ASX and any significant adjustments required as a result of the auditor's findings;
- 7.5.4 To recommend Board approval of these documents;
- 7.5.5 To finalise half-year and annual reporting;
- 7.5.6 To review the results and findings of the auditor, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made;
- 7.5.7 To review the draft financial report and recommend Board approval of the financial report, and
- 7.5.8 To organise, review and report, as required on any special reviews or investigations deemed necessary by the Board.

8 INTERNAL CONTROL FRAMEWORK

- 8.1 The Board is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The Board has instigated the following internal control frame work:
- 8.1.1. Financial reporting – the Board receive monthly reports about the financial condition of the Company. Year to date actual results are reported against budgets approved by the Directors and revised forecasts for the year prepared as considered necessary.
- 8.1.2. CEO and CFO assurance – the CEO and CFO provide formal statements to the Board that in all material respects the Company's financial statements present a true and fair view of the Company's financial condition and operating results.
- 8.1.3. Continuous Disclosure - A comprehensive policy and process is in place to identify matters that may have a material effect on the price of the Company's securities and to notify them to the ASX and post them on the Company website. The CEO and CFO/ Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.
- 8.1.4. Quality and integrity of personnel – Formal appraisals are conducted at least annually for all employees
- 8.1.5. investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where assets are being acquired or divested.

9. BUSINESS RISK MANAGEMENT

- 9.1. Management is closely linked to the executive Directors given the size and nature of the organisation and constantly monitors the business risk of the Company, Formal reports to the Board are compiled on the status of any perceived business risk.
- 9.2. The Company's risk management reviews cover environment, occupational health and safety, property (assets), financial reporting and internal controls.
- 9.3. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue within the employees and senior management. This is the responsibility of the Nomination Committee. The Nomination Committee will ensure vacancies are filled by competent and knowledgeable employees when retirements or resignations occur.
- 9.4. Comprehensive practices are established such that:
 - 9.4.1. capital expenditure and commitments above a certain size require prior Board approval;
 - 9.4.2. financial exposures are controlled, including the use of derivatives;
 - 9.4.3. occupational health and safety standards and management systems are monitored and reviewed regularly to achieve high standards of performance and compliance with regulations;
 - 9.4.4. business transactions are properly authorised and executed.

10. ETHICAL STANDARDS

- 10.1. The Company has advised each Director, manager and employee they must comply with the highest of ethical standards.
- 10.2. All Directors managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. Every employee is encouraged to refer any issues arising from their employment to the Managing Director or Company Secretary.

11. THE ROLE OF SHAREHOLDERS AND COMMUNICATIONS POLICY

- 11.1. The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:
 - 11.1.1. the Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments. The full Annual Financial Report is also available on the Company website.
 - 11.1.2. the Half - yearly report contains summarised financial information and a review of the operations of the Company during that period. The audited Half – year financial report is lodged with ASIC and the ASX and sent to any shareholder who requests it as well as being published on the Company website.
 - 11.1.3. proposed major changes in the Company, which may impact on share ownership rights are submitted to shareholder vote.

- 11.1.4. the Company presents exhibits at industry conferences which provides opportunity for the shareholders to gather information about the Company , it is also an opportunity to meet members of the Board and senior management.
- 11.1.5. all documents that are released publicly are made available on the Company website and e-mailed to shareholders and investors who have provided their relevant details to the Company.
- 11.1.6. the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.
- 11.1.7. the shareholders are requested to vote on the appointment and aggregate remuneration of the Directors the granting option and shares to Directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

12. STAKEHOLDERS

- 12.1. The Company has a formal Code of Conduct which is published on the website and by which other stakeholders in the Company are also asked to abide.