



**Focus Minerals Ltd.**

**CORPORATE GOVERNANCE STATEMENT**

**November 2010**

## **Introduction**

This statement outlines the main corporate governance practices that were in place for the financial year. The Company's corporate governance practices comply with the ASX Corporate Governance Council recommendations unless otherwise stated. Where the Company's corporate governance practices depart from a recommendation the Company has disclosed the departure together with a reason for the adoption of its own practice.

## **Principle 1: Laying Solid Foundations for Management and Oversight**

### ***Role and Responsibilities of the Board***

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interest of all stakeholders. This includes setting the strategic directions for the company, establishing goals for management and monitoring the achievement of these goals.

A summary of the key responsibilities of the Board include:

1. Strategy – Providing strategic guidance for the Group, including contributing to the development of and approving the corporate strategy.
2. Financial performance – Approving budgets, monitoring management and performance. .
3. Financial reporting and audits - Monitoring financial performance including approval of the annual and half year financial reports and liaison with the external auditors.
4. Leadership selection and performance - Appointment, performance assessment and removal of Chief Executive Officer. Ratifying the appointment and/or removal of other senior management including Company Secretary and other Board members.
5. Remuneration – Management of the remuneration and reward systems and structures for Executive management and staff.
6. Risk management – Ensuring appropriate risk management systems and internal controls are in place, and
7. Relationships with exchanges, regulators and continuous disclosure – Ensuring the capital markets are kept informed of all relevant and material matters ensuring effective communication with shareholders and stakeholders.

The Board has delegated to executive management responsibility for:

- Strategy - Assisting in developing and implementing corporate strategies and making recommendations where necessary;
- Leadership selection and performance - Appointing management and staff and setting terms of appointment and evaluating performance;

- Budgets - Developing the annual budget and managing day-to-day operations within budget;
- Risk management – Maintaining risk management frameworks: and
- Communication - Keeping the Board and market informed of material events.

## **Principle 2: Structuring the Board to Add Value**

### ***Composition of the Board***

The names, skills, experiences and period of office of the Directors of the Company in office at the date of this Statement are set out in the Director's Report.

The composition of the Board is determined so as to provide the Company with a broad base of industry, business, technical, financial and corporate skills and experience considered necessary to represent shareholders and fulfill the business objectives of the Company.

The Board composition is determined with reference to the following principles:

- Persons nominated as Non-executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations.
- The Chairman is elected by the Board based on their suitability for the position.
- The roles of Chairperson and Managing Director/Chief Executive Officer should not be held by the same individual.
- All Non-executive Directors are expected to voluntarily review their membership of the Board from time-to time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy together with the other criteria considered desirable for composition of a balanced board and the overall interest of the Company.
- The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.
- The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and strives to have a majority of independent Directors. The Board currently has three Directors and has a majority of Directors who are independent.

### ***Departure from recommendation 2.2***

Mr Taig's diverse business experience, in the view of the Non-executive Directors, suitably qualifies Mr Taig for the role and appointment as Chairman.

Mr Taig is presently engaged as Executive Chairman and while Mr Taig is considered Independent he has, with the agreement of the Board, undertaken limited executive duties hence he is not considered to be an Independent Chairman.

Mr Taig's executive role is strictly limited to assisting Executive Management with corporate development and investor relations. Mr Taig's executive duties are re-evaluated annually by the Board.

The Board has accepted that an independent Director is one who:

- Does not hold an executive position (Non-executive Director);
- 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;
- has not within the last 3 years been employed in an Executive capacity by the company or another group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another group member;
- is not a significant consultant, supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the company or another group member other than as Director of the Company;
- 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; and
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Of the current board members, Mr Phillip Lockyer and Mr Christopher Hendricks are considered to meet these criteria as Independent Non Executive Directors.

***Independent Professional Advice and Access to Company Information***

Each Director has the right of access to all relevant Company information and to the Company's Executives. Each Director is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities, however, prior approval of the Chairman is required which is not unreasonably withheld. A copy of advice received by the Director is made available to other members of the Board.

***Nomination Committee / Appointment of new Directors***

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience.

Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board nominates the selection criteria for the position based on the skills deemed necessary for the Board to best fulfill its responsibilities and then appoints the most suitable candidate. That Director must stand for re-election at the next Annual General Meeting.

***Departure from recommendation 2.4***

Because of the size of the Company and the size of the Board, the Directors do not believe it is appropriate to establish a separate Nomination Committee. The Board holds special meetings or sessions to determine and review the Board's composition and performance as required. The board is confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the web.

***Performance of Directors and Chief Executive Officer***

The performance of all Directors, the Board as a whole, the Chief Executive Officer and Company Secretary is reviewed annually.

The Board meets once a year with the specific purpose of conducting a review of its composition and performance. This review includes:

- Determining the appropriate balance of skills and experience required to suit the Company's current and future strategies;
- Comparing the above requirements against the skills and experience of current Directors and Executives;
- Assessing the independence of each Director;
- Measuring the contribution and performance of each Director;
- Assessing any education requirements or opportunities; and
- Recommending any changes to Board procedures, Committees or the Board composition.

Such a review was undertaken during the year ended 30 June 2010. Directors being reviewed were asked to leave the meeting during the review process.

***Performance of Senior Executives***

The Board meets at least annually to review the performance of senior Executives, considerations include the following:

- The performance of the senior Executive in supplying the board with information in a form, timeframe and quality that enables the Board to effectively discharge its duties;
- Feedback from other senior Executives: and
- Any particular concerns regarding the senior Executive.

A review was undertaken during the year ended 30 June 2010.

### ***Term of office***

Under the Company's Constitution, the minimum number of directors is three. Each Director must not hold office (without re-election) past the third Annual General Meeting of their appointment or three years following that Director's last election. At each Annual General Meeting one third of the directors or a minimum of one Director (excluding the Managing Director) must resign, with Directors resigning by rotation based on their date of appointment. Directors resigning by rotation may offer themselves for re-election. The re-appointment of Directors is not automatic.

### **Principle 3: Promotion of Ethical and Responsible Decision –Making**

#### ***Code of Conduct***

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

The Code of conduct embraces the values of:

- Integrity
- Excellence
- Commercial Discipline

The Board encourages all stakeholders to report unlawful/unethical behaviour and protection for those who report potential violations in good faith.

#### ***Trading in Focus Minerals Securities by Directors, Officers and Employees***

The Board has adopted a specific policy in relation to Directors and officers, employees and other potential insiders buying and selling shares.

Directors, officers, consultants, management and other employees are prohibited from trading in the Company's shares, options and other securities in the following circumstances:

- If they are in possession of price-sensitive information; and
- Speculative trading for a short term gain.

The Directors have given an undertaking to inform the Company Secretary of any trading in shares by Directors which must be notified to the ASX.

The Code and the Company's trading policy are discussed with each new employee as part of their induction training.

The Code requires employees who are aware of unethical practices within the Company or breaches of the Company's trading policy to report these to the Company Secretary, Chief Executive Officer or Chairman. This can be done anonymously.

The Directors are satisfied that the Company has complied with its policies on ethical standards, including trading in its securities.

### ***Conflict of Interest***

In accordance with the Corporations Act 2001 and the Company's Constitution, 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 a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Directors related entity transactions with the Company and Group are set out in the related parties note in the financial statements.

### **Principle 4: Safeguarding Integrity in Financial Reporting**

#### ***Audit Committee - Membership and Conduct***

An Audit Committee has been established consisting of Mr Christopher Hendricks, an Independent Director who is appointed Committee Chairman, and Mr Donald Taig, the company's Executive Chairman.

The Committee meets regularly with the external auditors to discuss audit outcomes and the Company's financial statements. Each board member has access to the external auditor at any time and the external auditor has access to each individual board member.

The Audit Committee reviews the appointment of the external auditor at least annually reviewing the external auditor in terms of their independence and performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged.

The Chief Executive Officer and the Chief Financial Officer make a statement to the Audit Committee that the Company's financial reports present a true and fair view in all

material respects of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

A director, in accordance with a resolution of the Directors, makes a statement to the shareholders that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational; results and are in accordance with the relevant accounting standards.

***Departure from recommendation 4.2 and 4.3.***

The Audit Committee should be structured so that it:

- Audit Committee should have a formal charter;
- consists only of Non-executive Directors
- consist of a majority of independent Directors;
- is chaired by an independent Chair, who is not Chair of the Board; and
- has at least three members.

The Audit Committee includes the Executive Chairman, Mr Taig. Mr Taig as Executive Chairman has no active role in the daily affairs of the Company other than corporate development and is considered to be suitably independent of the operations to be a qualified member of the Audit Committee.

The Audit Committee currently consists of two members and does not have a formal charter. Given the current size of the Company and the size of the Board, the Board believes the current Audit Committee structure and composition is appropriate. In addition, the Audit Committee together with the external auditor fulfill the functions and review of the Audit Committee role without a formal charter.

**Principle 5: Making Timely and Balanced Disclosure**

***Market Disclosure Policies***

All Directors, executives and staff are required to abide with all various legal requirements and ASX obligations in relation to disclosure of information to the market. This includes specific compliance with the continuous disclosure requirements of the ASX Listing Rules.

The Company Secretary has been appointed the person responsible for overseeing and co-coordinating disclosure of information to the ASX as well as communicating with the ASX.

**Principle 6: Respecting the Rights of Shareholders**

The Board places significant importance on effective communication with shareholders.

Information is communicated to shareholders through the distribution of the annual and half yearly financial reports, quarterly reports on activities and cashflows, announcements through the ASX and the media, on the company's web site and through the Chairman's address at the annual general meeting including webcasts of the Annual General Meeting. General meetings, including Annual General Meetings, are held on a rotational basis in Perth and Kalgoorlie to encourage shareholder participation at general meetings.

In addition, news announcements and other information are sent by email to all persons who have requested their name to be added to the Company's email list. If requested, the Company will provide general information by email, facsimile or post.

While the Company has no formal communication policy in place for the benefit of shareholders, the Company provides continuous communication which ensures shareholders and the markets are adequately informed of the Company's activities.

The Company will, wherever practicable, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

#### **Principle 7: Recognising and Managing Risk**

The Board has adopted a Risk Management Policy, which identifies the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems. In addition, the Chief Executive Officer and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such a declaration 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 risk.

The Company has established a formal system to manage its material business risks. The Company holds risk review meetings at least annually at Board level and also at the operational and exploration levels. At these meetings the Company's material business risks are identified and risk management strategies established. In addition, the process

of management of material business risks is allocated to members of senior management.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval; and
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosures obligations.

As an ordinary part of the Company's business is dealing in assets denominated by reference to international currencies other than the Australian dollar in particular the value of gold produced by the Company. The Directors are sensitive to the need to manage this currency risk and fluctuations in the value of gold.

The risk management policy also addresses asset, operational, regulatory compliance, personal health and safety risks.

### **Principle 8: Remunerate Fairly and Responsibly**

#### *Remuneration Committee*

A Remuneration Committee has been established to determine and review the remuneration of executives and Directors.

The maximum amount of remuneration for all directors is fixed by shareholders in General Meeting and can only be varied by shareholders in similar manner. In determining the allocation of fees, the Board takes into account the time demands on Directors together with the responsibilities undertaken by them. There are no schemes for retirement benefits for Non-executive Directors, other than superannuation.

A full discussion of the company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period is included in the remuneration report contained within the Directors' Report.