

# **COPPERMOLY LTD**

## **CORPORATE GOVERNANCE STATEMENT**

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In accordance with the Australian Securities Exchange Corporate Governance Council's recommendations the Corporate Governance Statement must contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Corporate Governance Council's best practice recommendations are as follows:

1. Lay solid foundations for Management and oversight.
2. Structure the Board to add value.
3. Promote ethical and responsible decision-making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Remunerate fairly and responsibly.

This statement outlines the main Corporate Governance practices that were in place throughout the period, unless otherwise stated.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

The Board of Directors is accountable to shareholders for the performance of Coppermoly Ltd.

In carrying out its responsibilities the Board undertakes to serve the interests of shareholders, employees and the broader community honestly, fairly, diligently and in accordance with applicable laws.

The respective roles of the Board and Senior Executives are clearly defined.

The Board's responsibilities encompasses the following:

1. set the strategic direction of the Group and monitor Management's implementation of that strategy;
2. select and appoint and, if appropriate, remove from office, the Company Secretary and Chief Executive Officer. Determine his/her conditions of service and monitor his/her performance against established objectives;
3. ratify the appointment and, if appropriate, the removal from office of the Chief Financial Officer;
4. monitor financial outcomes and the integrity of reporting; in particular approve annual budgets and longer-term strategic and business plans;
5. set specific limits of authority for Management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
6. ensure that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
7. monitor compliance with regulatory requirements, including continuous disclosure, and ethical standards;
8. review, on a regular basis, Senior Management succession planning and development; and
9. ensure effective and timely reporting to Shareholders.

The Board delegates to the Chief Executive Officer responsibility for implementing the strategic direction and for managing the day-to-day operations of the Group. The Chief Executive Officer consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The Board acknowledges that it is responsible for the overall internal control framework. The system is based upon written procedures, policies and guidelines, organisation structures that seek to provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

The Board, particularly through the Planning and Operations Committee, sets the strategic direction of the Company with Management and monitors Management's implementation of strategy.

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The Planning and Operations Committee consists of the Chairman, the Managing Director and the Company Secretary. It meets after every Board Meeting (generally at least once every three months). The Committee evaluates past and proposed exploration activities, strategies and results, administration and capital expenditures.

Minutes of the Planning and Operations Committee meetings are copied to the Board.

### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

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

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution. The Constitution provides for a minimum of three Directors and a maximum of ten. Given the Company's background, nature and size of its business and the current stage of its development, the Board is comprised of six Directors, four of whom are Non-Executive. The Board believes that this is both appropriate and acceptable at this stage for the Company's development. The Chairperson, Mr P.A. McNeil is not independent.

The positions of Chairman and Managing Director are held by separate persons.

Succession planning for the Board is reviewed regularly by the full Board. In considering potential new Directors to commend to shareholders, the Board seeks to identify candidates with appropriate skills and experience to contribute to effective direction of the Company, who can exercise an independent and informed judgement on matters which come to the Board, and who are free of any business or other relationship that may interfere materially with the exercise of that independent judgement.

The Chairman and Deputy Chairman, if applicable, are elected by the full Board.

#### **Role of Chairman**

The Chairman presides over Board and General Meetings of the Company. He has the task of making sure the Board is well informed and effective; that the members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Company.

The Chairman is responsible for ensuring that the meetings are conducted competently and ethically and is expected to provide effective leadership in formulating the strategic direction for the Group.

He must ensure that General Meetings, too, are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

Among the Chairman's other responsibilities are:

1. To see that new Board members are well briefed and have access to information on all aspects of the Company's operations;
2. To act as the primary counsellor to the Chief Executive Officer; and
3. To represent the views of the Board to the public, governments, etc on appropriate occasions.

#### **Board Meetings**

The Board meets formally at least 4 times a year (in addition to General Meetings of shareholders) and whenever necessary to deal with urgent matters which might arise between scheduled meetings.

Senior members of Management may be requested to attend Board Meetings to present reports on, or seek approvals within, their areas of responsibility. In certain circumstances, Board members may (a) request that aspects of a meeting be held 'in camera' and non directors will be requested to leave the meeting or (b) agree to hold a separate meeting involving Directors only or Non-Executive Directors only. Non-Executive Directors may meet without the Managing Director when discussing matters pertaining to his performance, salary review, CEO succession planning or other personal matters.

#### **Directors' Independence**

None of the Company's Directors are independent.

The Board reviews annually the independence of Directors having regard to ASX Corporate Governance Council Recommendation 2.1.

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### Independent Professional Advice

Each Director has the right to seek independent professional advice at the consolidated entity's expense.

### PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with customers, suppliers, advisors and regulators, competitors, the community and each other in each country where the consolidated entity operates.

The Company has established a Corporate Code of Conduct which is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

### Dealings in Company Securities by Directors and Employees

The Company's securities trading policy for Directors and employees is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company's CEO and Chief Financial Officer report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

### Audit Committee

An Audit Committee has been established and is documented in a Charter which is approved by the Board of Directors and is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office. In accordance with this Charter, all members of the Committee must be Directors, executives of the Company or qualified consultants. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were Messrs P.A. McNeil (Chairman), D. Brynelsen (Director) and M. Gannon, (Director and Company Secretary). Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' Report.

The Audit Committee meets at least twice a year with the Company's External Auditor required to be in attendance.

### PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### Continuous Disclosure to ASX

The Company's Continuous Disclosure Policy is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

The Continuous Disclosure Policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

### PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company's policy regarding Communication with Shareholders is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs.

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All announcements and reports submitted to ASX are posted on the Company's website [www.coppermoly.com.au](http://www.coppermoly.com.au).

The Company maintains an investor database to distribute significant announcements by email.

The Company's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

A Risk Management Committee has been established. The members of the Committee during the year were P. Swiridiuk, P. McNeil and M. Gannon. The Committee meets (at least four times a year) at the same time as the Planning & Operations Committee.

The Company has a Risk Management Policy which is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

The Board considers that the Company is not currently of a size to justify the formation of a separate Remuneration Committee, therefore the Board as a whole, serves as a Remuneration Committee. The Company's Remuneration Policy is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

The broad Remuneration Policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Details of the Company's remuneration policies are contained in the Directors' Report.

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### ADOPTION OF ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Principles and Recommendations for the whole period, as outlined in the Corporate Governance Statement, with the following exceptions:

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

##### ***Council Principle 2: Structure the Board to add value***

*Council Recommendation 2.1: A majority of the Board should be Independent Directors.*

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of Independent Non-Executive Directors.

Four Directors are Non-Executive Directors. These Non-Executive Directors are not Independent Directors in accordance with the Best Practice Recommendations.

The Board is of the opinion that each Director on the Board holds sufficient experience to make quality and independent judgments and decisions in their role as Director in the best interests of the Company on all relevant issues.

Further Independent Directors may be appointed depending upon the future acquisitions and growth of the Company.

*Council Recommendation 2.2: The chair should be an Independent Director.*

The Chairperson, Mr P.A. McNeil, is not considered independent under ASX guidelines. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.

#### **Integrity of Financial Reporting**

##### ***Council Principle 4: Safeguard integrity in financial reporting.***

*Council Recommendation 4.2: Structure the audit committee so that it consists of:*

- only Non-Executive Directors;
- a majority of Independent Directors;
- an independent chairperson, who is not chairperson of the Board;
- at least three members.

The Audit Committee consists of one Executive Director/Company Secretary and two Non-Executive Directors, but does not have a majority of Independent Directors. The Board considers the mix of two Non-Executive Directors and the Executive Director/Company Secretary appropriate for the Company given the current size of the Company and the Board and role of the Committee.

#### **Remuneration**

##### ***Council Principle 8: Remunerate fairly and responsibly***

*Council Recommendation 8.2: The Board should establish a nomination committee.*

The Board considers that the Company is not currently of a size to justify the formation of a separate Nomination Committee, therefore the Board as a whole, serves as a Nomination Committee. The Company's Policy and Procedure for Nomination and Appointment of Directors is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

Where necessary, the Nomination Committee seeks advice of external advisors in connection with the suitability of applicants for Board membership.

*Council Recommendation 8.2: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.*

*The Non-Executive Directors should not receive options or bonus payments.*

Non-Executive Directors have been issued options (although lesser amounts thereof) on the same terms and conditions as Executive Directors in accordance with the Company's prospectus dated 25 October 2007. The Non-Executive Directors were also issued options on 1 December 2009, in accordance with the Directors & Officers Option Plan as approved by shareholders at the 2009 Annual General Meeting.

The Directors' & Officers' Option Plan is designed to require the achievement of substantial share price "hurdles" for the options to be of value. Directors' & Officers' options are, therefore, incentive based and will only attain a value in the context of generation of significant benefits to all shareholders.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to Non-Executives is an appropriate

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method to potentially supplement Non-Executive Directors' cash remuneration, which is kept relatively low (currently \$20,000 p.a.) and to provide incentive without further use of cash while the Company is reliant upon shareholder funds to operate.

*Reviewed and adopted by Directors Resolution 16 September 2009*  
*Reviewed, amended and adopted at a Board Meeting on 12 August 2010*