

# GLOBE METALS AND MINING LIMITED

ACN 114 400 609

## CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance.

This Statement reports on the Company's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate by the Company to ensure they comply with changes in the law and reflect developments in Corporate Governance.

The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). In August 2007 the ASXCGC issued a second edition of its *Corporate Governance Principles and Recommendations* ("ASX Recommendations")

The Company is pleased to advise that the Company's practices are largely consistent with the revised ASX Recommendations. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASXCGC in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the ASXCGC, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the ASXCGC Recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1, 1.3, 1.4.5
Recommendation 1.2 Evaluating the Performance of Senior Executives	1.4.6, 1.4.10
Recommendation 1.3 Reporting on Principle 1	1.1, 1.3
Recommendation 2.1 Independent Directors	1.2, 1.4.1, 1.4.7
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2 and 1.2.1
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Evaluation of Board, Directors and Committees	1.4.5, 1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2, 1.4.6, 2.3.
Recommendation 3.1 Code of Conduct	1.4.1
Recommendation 3.2 Company Security Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.10
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of Audit Committee	2.1.
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1.
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.5

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Recommendation 5.2 Reporting on Principle 5	1.4.5
Recommendation 6.1 Communications Strategy	1.4.9
Recommendation 6.2 Reporting on Principle 6	1.4.9
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Risk Management and Internal Control System	2.1.3, 1.4.11
Recommendation 7.3 Attestations by CEO and CFO	1.4.11
Recommendation 7.4 Reporting on Principle 7	1.4.11, 2.1.3
Recommendation 8.1 Establishment of Remuneration Committee	2.2.1 and 2.1.2
Recommendation 8.2 Executive and Non-Executive Director Remuneration	2.2.3.1 and 2.2.3.2
Recommendation 8.3 Reporting on Principle 8	2.2.1, 2.2.2, 2.2.4, 2.2.3.1 and 2.2.3.2.

## 1. **Board of Directors of the Company**

### **Role of the Board**

The Board's role is to govern the Company rather than to manage it. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed and approved a Board Charter which details the Board's role, powers, duties and functions to guide the Directors and its senior executives in the performance of their roles.

Other than as reserved to the Board in the Charter, responsibility for the management of the Company's business activities is delegated to the Company's executive Directors (and other key executives) who are accountable to the Board. The Charter and the delegation of Board authority are reviewed regularly.

### **Composition of the Board**

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

As at the date of this report, the Board is comprised of three (3) Directors, one (1) non-executive Director and two (2) executive Directors.

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The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr. David Sumich is a Non-Executive Director and independent director as he meets the following criteria for independence adopted by the Company:

An Independent Director is a Non-Executive Director and:

- (a) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (b) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- (c) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- (d) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- (f) 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; and
- (g) 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.

## ***The Chairman***

Mr. David Sumich is the Chairman of the Board. He is an independent and non-executive Director.

The Chairman is responsible for leadership and effective performance of the Board. The Chairman's responsibilities are set out in more detail in the Board Charter which is available in the corporate governance section of the Company's website.

## ***The Executive Directors***

Mr. Mark Sumich is the Managing Director, and Mr Julian Stephens is an Executive Director and Exploration Manager.

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## Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. On appointment to the Board, all new Directors are required to sign a formal letter of appointment setting out the key terms and conditions relevant to their position.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- (a) **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- (b) **Strategy Formulation:** to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- (c) **Overseeing Planning Activities:** the development of the Company's strategic plan.
- (d) **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- (e) **Monitoring, Compliance and Risk Management:** the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- (f) **Company Finances:** approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- (g) **Human Resources:** appointing, and, where appropriate, removing the Chief Executive Officer or Managing Director (CEO / MD) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- (h) **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- (i) **Delegation of Authority:** delegating appropriate powers to the Company's executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available in the corporate governance section of the Company's website.

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## Code of Conduct and Other Board Policies

### **Code of Conduct**

The Board has adopted a Code of Conduct which details the Company's commitment to ethical and responsible decision making and corporate practices.

The Code of Conduct sets out the Company's principles, practices and standards of personal and corporate behaviour. The Company expects everyone who works for or with the Company to adopt in their daily business activities. The code covers matters such as compliance with laws regulations, responsibility to shareholders and the community, confidentiality, privacy, conflicts of interest and the protection and proper use of the Company's assets.

### **Conflicts of Interest**

Directors must:

- (a) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- (b) if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act 2001*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

### **Commitments**

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

### **Confidentiality**

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### **Continuous Disclosure**

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company's Continuous Disclosure Policy reinforces the Company's commitment to continuous disclosure and outlines individual responsibilities, accountabilities and the processes to be followed for ensuring compliance.

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A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Company's website.

## ***Education and Induction***

It is the policy of the Company that all new Directors and senior executives undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors and senior executives include:

- (a) details of the respective rights, duties, roles and responsibilities of a Director and senior executives of the Company;
- (b) formal policies on Director appointment as well as conduct and contribution expectations;
- (c) access to a copy of the Board Charter and all corporate governance documents;
- (d) guidelines on how the Board processes function;
- (e) details of past, recent and likely future developments relating to the Board;
- (f) background information on and contact information for key people in the organisation;
- (g) an analysis of the Company (including the Company's financial position, operations and risk management policies);
- (h) a synopsis of the current strategic direction of the Company; and
- (i) a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. These are paid for by the Company where appropriate. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

## ***Independent Professional Advice***

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

## ***Related Party Transactions***

Related party transactions include any financial transaction between a Director and the Company Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

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## ***Shareholder Communication***

The Board recognizes that Shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant, high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in the Company.

The Company respects the rights of its Shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- (a) communicating effectively with Shareholders through releases to the market via ASX, information mailed to shareholders, information posted on the company's website or sent directly to Shareholders and Stakeholders via Email alerts, and the general meetings of the Company;
- (b) giving Shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- (c) making it easy for Shareholders to participate in general meetings of the Company; and
- (d) requesting the external 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.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

The Board is committed to monitoring ongoing developments that may enhance communications with Shareholders, including technological developments, regulatory changes and the continuing development of "best practice" in the market, and to implementing changes to the Company's communication strategies whenever reasonable practicable to reflect any such development.

A copy of the Shareholder Communication Policy is available in the corporate governance section of the Company's website.

## ***Trading in Company Shares***

The Company's share trading policy applies to all Directors and employees of the Company and their associates (including spouses, children, family trusts and family companies), contractors, consultants, advisers and auditors of the Company.

This policy provides a brief summary of the law on insider trading and other relevant laws, sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities.

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The policy stipulates that the only appropriate time for a Director or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market. Directors and Senior Executives may not deal in the Company's securities without the prior approval of the Chairman (in the case of Director and Senior Executives) or the Company Secretary (in the case of the Chairman).

Any dealing in Company securities by Directors is notified to the ASX within five business days of the dealing.

The Company does not condone short term or speculative trading in its securities by directors or employees, nor does it permit directors or employees to enter into any price protection arrangements with third parties to ledge such securities.

This policy is separate from and additional to the legal constraints imposed by common law, the Corporations Act, and the ASX Listing Rules.

A copy of the Company's share trading policy is available in the corporate governance section of the Company's website.

## ***Performance Review/Evaluation***

It is the policy of the Board to conduct an annual evaluation of its performance and that of its senior executives. The objective of this evaluation will be to provide best practice corporate governance to the Company.

A copy of the Company's Board Performance Evaluation Policy is available in the corporate governance section of the Company's website.

## ***Attestations by CEO and CFO***

The Board receives regular reports on the Company's financial position and business operations from the Company's senior executives.

It is the Board's policy, that the CEO and the CFO (or their equivalents) make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report.

The Board also requires the CEO and CFO to attest to the implementation and compliance to the company's internal control and risk management policies and to ensure that these policies are being managed effectively.

Other specific policies have been developed to support the Code. These policies include:

- (a) Criminal Convictions;
- (b) Indigenous Affairs; and
- (c) Environment.

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## 2. *Board Committees*

### **Audit Committee**

Due to the size and scale of its operations (the Board only consists of three (3) members) the Company does not have a separate audit committee. It is the Board's view that an Audit Committee would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and it cannot be justified based on a cost benefit analysis.

The Audit Committee is chaired by an independent director (who is not the Chairman) and is responsible for assisting the Board in fulfilling its financial reporting, risk management and compliance responsibilities, compliance with legal and regulatory requirements, internal control structure and the internal and external audit functions (the responsibilities of the Risk Management Committee have also been delegated to the Audit Committee). The Audit Committee meets at least twice per year and at such other times as the Audit Committee deems necessary.

The functions and responsibilities of the Audit Committee are set out in the Audit Committee Charter and include:

- (a) overseeing the Company's system of financial reporting and safeguarding its integrity;
- (b) overseeing risk management and compliance systems and the internal control framework;
- (c) monitoring the activities and effectiveness of the internal audit function and the activities and performance of the external auditor and coordinating both operations; and
- (d) providing reports to the Board on all matters relevant to the Committee's responsibilities

A copy of the Company's Audit Committee Charter is available on the Company's website in the corporate governance section.

### ***Role***

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to an audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

### ***Responsibilities***

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

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The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

## ***Risk Management Policies***

The Board recognizes that risk management and internal compliance and control are key elements of good corporate governance.

The Board is responsible for reviewing, approving and monitoring the Company's risk management strategy, policy and key risk parameters. It is also responsible for ensuring that management has developed and implemented a sound system of risk management and internal control.

As the whole Board only consists of three (3) members, the Company does not have a separate Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The Board has delegated oversight of the Risk Management Policy, including review of the effectiveness of the Company's internal control framework and risk management process to the Audit Committee.

The Company's Risk Management Policy sets out the manner in which the Company identifies, assesses, monitors and manages business risk. All high level strategies and new initiative risks are reviewed annually by the Board at its annual strategy and planning meeting.

A copy of the Risk Management Policy is available on the Company's website in the corporate governance section.

## **Remuneration Committee**

### ***Role***

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies and practices which:

- (a) enable the Company to attract, retain and reward talented Directors and employees; and
- (b) reward Directors and employees fairly and responsibly.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing a remuneration committee consisting primarily of Independent Directors.

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## ***Responsibilities***

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the CEO/ Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the CEO/ Managing Director's performance, including, setting with the goals and reviewing progress in achieving those goals.

## ***Senior Executive Remuneration Policy***

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- (a) fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- (a) a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- (b) participation in any share/option scheme with thresholds approved by shareholders; and
- (c) statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

## ***Non-Executive Director Remuneration Policy***

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses, but are able to participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

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## ***Current Director Remuneration***

Full details regarding the remuneration of Directors, is included in the Directors' Report.

## **Nomination Committee**

### ***Role***

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

### ***Responsibilities***

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO/ MD and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

### ***Criteria for selection of Directors***

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

A copy of the Company's Director Selection Policy is available in the corporate governance section of the Company's website.