

CORPORATE GOVERNANCE STATEMENT

The Board of Gippsland Limited is responsible for its corporate governance, that is, the system by which the Company and its controlled entities ("the Group") are managed.

1. Board of Directors

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By focusing on long-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Chief Executive Officer is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Chief Executive Officer and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary/Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company currently has the following Board members:

Ian Gandel	Non-Executive Chairman
Robert John Telford	Chief Executive Officer
Jon Starink	Executive Director
John Damian Kenny	Non-Executive Director
John Stuart Ferguson Dunlop	Non-Executive Director

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any shareholding qualification.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of an independent Chairman or additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically as well as the optimum number of directors required for the Board to properly perform its responsibilities and functions.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

On 26 August 2008 the Board approved the Remuneration sub-committee charter. A copy of this charter is available on the company's website.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of any other separate or special committees. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of further separate or special committee's will be reviewed by the Board and implemented if appropriate.

1.4 Conflicts 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 that a 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.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. **Ethical Standards**

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and Key Executives to promote ethical and responsible decision-making. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors. The Company's Code of Conduct for Directors and Key Executives is also available on the Company's website.

The principles of the code include that Directors and key executives:

- must act honestly, in good faith and in the best interests of the Company as a whole.
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- must not make improper use of information acquired as a Director.
- must not take improper advantage of the position of Director.
- must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- have an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Ensure that confidential information received by a Director or key executive in the course of the exercise of directorial or executive duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- should not engage in conduct likely to bring discredit upon the Company.
- have an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors and key executives are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company. The Company's Code of Ethics and Conduct is also available on the Company's website.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

It is illegal to trade in the Company's securities while in possession of unpublished price sensitive information concerning the Company. Under the *Corporations Act* a person with inside information must not, and must not procure another person, to deal in the securities of a body corporate or enter into an agreement to deal in the securities of a body corporate. Inside information is defined in the *Corporations Act* as information that:

- is not generally available; and
- if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the body corporate.

The Company's Securities Trading policy applies to all Directors and employees of the Company and their associates (including spouses, children, family trusts and family companies) as well as contractors, consultants, advisers and auditors of the Company ("designated officers").

All designated officers are prohibited from trading in the Company's securities while in possession of unpublished price sensitive information concerning the Company. In addition, while in possession of unpublished price sensitive information designated officers must not advise others to trade in the Company's securities or communicate the information to another person knowing that the person may use the information to trade in, or procure someone else to trade in, the Company's securities.

Unpublished price sensitive information is information regarding the Company, of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities, and includes:

- a proposed major acquisition or disposition;
- a significant business development or a proposed change in the nature of the Company's business;
- details of material contracts that are being negotiated by the Company;
- potential litigation that would have a substantial effect on the Company;
- a proposed change to the share capital structure of the Company; and
- a major change to the Board or senior management.

This prohibition applies regardless of how the designated officer learns the information (e.g. even if that person or employee overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the *Corporations Act 2001* and the Listing Rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

The Company's Securities Trading Policy is available on the Company's website.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

2.4 Interests of Other Stakeholders

The Company's objective is to continue to develop and ultimately aim to commence production from the Abu Dabbab Project in Egypt. As the Company embarks upon the development and production phases it will aim to ensure the highest standard of environmental care is achieved in all its operations.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. **Disclosure of Information**

3.1 Continuous Disclosure to ASX

Executives and Directors must inform the Chief Executive Officer or in his absence the Company Secretary of any information concerning the company that a reasonable person would expect to have a material effect on the share price as soon as practicable after they become aware of that information. The Company's Continuous Disclosure Policy is available on its website.

Information need not be disclosed if:

- a) A reasonable person would not expect the information to be disclosed; and
- b) The information is confidential; and
- c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;

- iv. The information is generated for internal management purposes;
- v. The information is a trade secret;

The CEO is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The CEO or the Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders. The Company's Shareholder Communications Strategy is available on the Company's website.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meeting's; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website at www.gippslandltd.com

4. **Risk Management**

4.1 Identification of Risk

The Company has adopted a Policy on Risk Oversight and Management of Material Business Risks. The Company's Policy on Risk Oversight and Management of Material Business Risks is available on the Company's website.

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Group.

4.2 Integrity of Financial Reporting

The Company's CEO and Chief Financial Officer (or equivalent) 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.

4.3 Role of Auditor

In accordance with the requirements of the Corporations Act, the Company invites 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.

The company appointed a new auditor in December 2007 following a competitive tender. External auditors are selected on the basis of professional skills, reputation, service levels and fees. The current policy of the external auditor is to rotate the audit engagement partner every 5 years.

5. Performance Review

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial and operating performance;
- comparison of executive remuneration levels to industry benchmarks; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

6. Remuneration Arrangements

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 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, which is currently set at \$150,000 per annum

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The ASX Corporate Governance Council ("the Council") issued the second edition of the Corporate Governance Principles and Recommendations in August 2007. As consistency with the ASX guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the Council in place for the entire reporting period, the Company has identified when such policies or committees were introduced. The Company has endeavoured to early adopt the revised principles and recommendations.

To illustrate where the Company has addressed each of the Council's revised recommendations, the following summary cross-references each revised recommendation with sections of the Corporate Governance Statement. Details of all of the revised recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>

Introduction

Gippsland Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.gippslandltd.com:

- Corporate Governance Statement including disclosures and explanations;
- Summary of Code of Conduct for Directors and Key Executives;
- Summary of Securities Trading Policy;
- Summary of Continuous Disclosure Policy;
- Summary of Shareholder Communications Strategy;
- Remuneration Committee Charter
- Policy on Risk Oversight and Management of Material Business Risks; and

Explanations for Departures from Best Practice Recommendations

During the financial year the Company has complied with the majority of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the Council and as detailed below:

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Council Principle 1:

Companies should establish and disclose the respective roles and responsibilities of board and management.

Council Recommendation 1.1:

Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Company complies with this recommendation.

The board has set out the responsibilities of the Board in Section 1.1 of its Corporate Governance Statement which can be accessed on the company website. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.

Council Recommendation 1.2:

Disclose the process for evaluating the performance of senior executives.

The Company complies with this recommendation.

The process is disclosed at Section 5 of the Corporate Governance Statement.

Council Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1

The Company complies with this recommendation.

There has been no departure from the Recommendations 1.1, 1.2 or 1.3, so no disclosure was necessary in the Annual Report.

A review of senior executive performance was completed in accordance with the above policy in August 2009. This has been disclosed in the Corporate Governance section of the Annual Report.

2. STRUCTURE THE BOARD TO ADD VALUE

Council Principle 2:

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

Council Recommendation 2.1:

A majority of the Board should be independent directors.

Currently the Board of Gippsland Limited has two independent directors, Mr John Dunlop and Mr John Kenny and three non-independent directors, Mr Robert John Telford, Mr Ian Gandel and Mr Jon Starink. The Company does not comply with Recommendation 2.1.

Refer Section 1.2 of the Corporate Governance Statement.

While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

Messrs Kenny and Dunlop are Non-Executive Directors of the Company. Both Non-Executive Directors are considered independent within the ASX Corporate Governance Council's guidelines.

Mr JS Dunlop is a principal at John Dunlop & Associates Pty Ltd, engineering service providers for the Company. Mr Dunlop has been directly involved in the provision of the engineering services by John Dunlop & Associates Pty Ltd, however the undertaking of this role does not constitute Mr Dunlop or John Dunlop & Associates Pty Ltd as being material service providers to the Company. Where required Mr Dunlop does not participate in the discussions regarding the provision of engineering services.

At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

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

Council Recommendation 2.2:

The chair should be an independent director.

The Company's Chairman, Mr Ian Gandel, is not considered by the Board to be independent as he holds an interest in securities which are convertible into shares representing a substantial interest in the company. The previous Chairman, Mr Robert John Telford, was considered by the Board not to be independent as he was also the Chief Executive Officer.

However the Board believes that the Chairman is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to necessitate the appointment of an independent Chairman.

Refer Section 1.2 of the Corporate Governance Statement.

Council Recommendation 2.3:

The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of chairman and chief executive officer were previously performed by the same individual, Mr RJ Telford, however the role of Chairman is now held by Ian Gandel following his appointment to the Board on 24 June 2009

The Board believed that Mr Telford's extensive industry experience and previous record as Chairman made him the most appropriate person for the position at the time. The Company has addressed the fact that as it moves into the stage of development at Abu Dabbab, it is appropriate to split the roles and following his appointment to the Board on 24 June 2009, Mr Ian Gandel has been appointed Chairman whilst Mr Telford continues in the role of Chief Executive Officer.

Refer Section 1.2 of the Corporate Governance Statement.

Council Recommendation 2.4:

The Board should establish a nomination committee.

The board does not have a nomination committee. The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges this does not comply with Recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Refer Section 1.3 of the Corporate Governance Statement.

Council Recommendation 2.5:

Disclose the process for evaluating the performance of the board, its committees and individual directors.

The Company complies with this recommendation.

The process is disclosed at Section 5 of the Corporate Governance Statement.

Council Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

The Company complies with this recommendation.

The procedure for the selection and appointment of new directors and the re-election of incumbent directors is disclosed under Council Recommendation 2.4 above.

The board's policy for the nomination of directors is disclosed under Council Recommendation 2.4 above.

The following information is disclosed in the Corporate Governance Statement in the Annual Report;

- The skills, experience and expertise relevant to the position held by each director.
- The names of the directors considered to be independent by the Board.
- The existence of any relationships listed in Box 2.1 and why the board considers a director to be independent, notwithstanding this relationship
- A statement on whether the directors are entitled to take independent professional advice at the expense of the company.
- The period of office held by each director.
- A description of how the functions of a nomination committee are carried out.
- A statement as to whether a performance evaluation of board members was completed during the reporting period in accordance with the stated policy; and
- An explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

<p><i>Council Principle 3:</i> <i>Companies should actively promote ethical and responsible decision-making.</i></p>
<p><i>Council Recommendation 3.1:</i> <i>Establish a code of conduct and disclose the code or a summary of the code as to:</i></p> <ul style="list-style-type: none"> ▪ <i>the practices necessary to maintain confidence in the Company's integrity;</i> ▪ <i>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</i> ▪ <i>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</i>
<p>The Company complies with this recommendation.</p> <p>The Company has adopted a Code of Conduct for Directors and Key Executives and a Company Code of Ethics and Conduct, both of which can be accessed on the website.</p> <p>Refer Section 2.1 of the Corporate Governance Statement on the website.</p>
<p><i>Council Recommendation 3.2:</i> <i>Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.</i></p>
<p>The Company complies with this recommendation.</p> <p>Refer Section 2.3 of the Corporate Governance Statement.</p>
<p><i>Council Recommendation 3.3:</i> <i>Provide the information indicated in the Guide to reporting on Principle 3.</i></p>
<p>The Company complies with this recommendation.</p> <p>A copy of the Company's Share Trading policy is available on the website. Refer Section 2.3 of the Corporate Governance Statement.</p>

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

<p><i>Council Principle 4:</i> <i>Companies should have a structure to independently verify and safeguard the integrity of their financial reporting</i></p>
<p><i>Council Recommendation 4.1:</i> <i>The Board should establish an audit committee.</i></p>
<p>The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.</p> <p>The Board acknowledges this does not comply with Recommendation 4.1. If the Company's activities increase in size, scope and nature, the appointment of an audit committee will be reviewed by the Board and implemented if appropriate. Refer Section 1.3 of the Corporate Governance Statement.</p>
<p><i>Council Recommendation 4.2:</i> <i>The audit committee should be structured so that it:</i></p> <ul style="list-style-type: none"> • <i>consists only of non-executive directors;</i> • <i>consists of a majority of independent directors;</i> • <i>is chaired by an independent chair, who is not chair of the board;</i>

- *has at least three members.*

Refer to the comments in respect of Council Recommendation 4.1.

Council Recommendation 4.3

The audit committee should have a formal operating charter.

Refer to the comments in respect of Council Recommendation 4.1.

Council Recommendation 4.4:

Provide the information indicated in the Guide to reporting on Principle 4.

Explanations of departures from Recommendations 4.1, 4.2, 4.3 and 4.4 are included in the Corporate Governance Statement of the Annual Report.

The procedures for the selection and appointment of the external auditor and the rotation of external audit engagement partners are disclosed at section 4.3 of the Corporate Governance Statement on the website.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5:

Companies should promote timely and balanced disclosure of all material matters concerning the Company

Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company complies with this recommendation.

Refer Section 3.1 of the Corporate Governance Statement.

Council Recommendation 5.2:

Provide the information indicated in the Guide to reporting on Principle 5.

The Company complies with this recommendation.

Explanations of departures from Recommendations 5.1 and 5.2 are included in the Corporate Governance Statement of the Annual Report.

A copy of the Trading Policy is available on the website.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Council Principle 6:

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights

Council Recommendation 6.1:

Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.

The Company complies with this recommendation.

Refer Section 3.2 of the Corporate Governance Statement.

Council Recommendation 6.2:

Provide the information indicated in the Guide to reporting on Principle 6.

The Company complies with this recommendation.

Explanations of departures from Recommendations 6.1 and 6.2 are included in the Corporate Governance Statement of the Annual Report.

A copy of the Continuous Disclosure Policy is available on the website.

7. RECOGNISE AND MANAGE RISK

<p><i>Council Principle 7:</i></p> <p><i>Companies should establish a sound system of risk oversight and management and internal control</i></p>
<p><i>Council Recommendation 7.1:</i></p> <p><i>Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.</i></p>
<p>The Company complies with this recommendation.</p> <p>On August 2008 the Company adopted a Policy on Risk Oversight and Management of Material Business Risks which is available on the website.</p> <p>Refer Section 4.1 of Corporate Governance Statement.</p>
<p><i>Council Recommendation 7.2</i></p> <p><i>The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.</i></p>
<p>Following the adoption of a Policy on Risk Oversight and Management of Material Business Risks in August 2008 the Chief Executive Officer and the Chief Financial Officer reviewed the risk management and internal control systems. They subsequently reported to the Board in respect of the company's key business risks and how they are being managed</p>
<p><i>Council Recommendation 7.3</i></p> <p><i>The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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 reporting risks.</i></p>
<p>Company complies with this recommendation.</p> <p>The Board receives assurance from the chief executive officer and the chief financial officer in the form of a declaration, prior to approving financial statements.</p> <p>Refer Sections 4.1 Corporate Governance Statement.</p>
<p><i>Council Recommendation 7.4:</i></p> <p><i>Provide the information indicated in the Guide to reporting on Principle 7.</i></p>
<p>The Company complies with this recommendation.</p> <p>The following information is disclosed in the Corporate Governance Statement in the Annual Report;</p> <ul style="list-style-type: none"> ▪ Explanations of departures from Recommendations 7.1, 7.2, 7.3 or 7.4; ▪ A statement that the board has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 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 reporting risks; and ▪ A copy of the Policy on Risk Oversight and Management of Material Business Risks is available on

the website.

8. REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 8:

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Council Recommendation 8.1

The Board should establish a remuneration committee.

The Company complies with this recommendation.

The Board established a remuneration committee in March 2008. The formal charter of the Remuneration Committee was adopted in August 2008. The Remuneration Committee has three members, consisting of the independent directors, Mr Dunlop and Mr Kenny, and Mr Gandel, the Non-executive Chairman. There was a single meeting of the Remuneration Committee during the reporting period which was attended by all members of the Remuneration Committee.

The Remuneration Committee is chaired by Mr Dunlop. The Remuneration committee charter is available on the website.

Refer Section 1.3 of the Corporate Governance Statement.

Council Recommendation 8.2

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company complies with this recommendation.

Refer Section 6 of the Corporate Governance Statement.

Council Recommendation 8.3:

Provide the information indicated in the Guide to reporting on Principle 8.

The Company complies with this recommendation.

The following information is disclosed in the Corporate Governance Statement in the Annual Report;

- Explanations of departures from Recommendations 8.1, 8.2 or 8.3;
- The names of the members of the remuneration committee and their attendance at meetings; and
- A statement that the Company currently has no schemes for retirement benefits, other than superannuation for directors.

The Remuneration committee charter is available on the website.

The company has included a statement in respect of equity-based remuneration schemes in the Corporate Governance Statement on the website.