



Azure Minerals Limited

Corporate Governance Statement

1. Board of Directors and its Committees

1.1 Role of the Board

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

1.2 Board processes

- 1.2.1 To assist in the execution of its responsibilities, the Board has established two board Committees, a Remuneration Committee and an Audit Committee. The size of the Company does not lend itself to producing written mandates and operating procedures for these Committees the members of which are a sub group of the Board of Directors. The Board has also established a framework for the management of the Company including a system of internal control and the establishment of appropriate ethical standards. Business risk management processes are constantly monitored by the executive directors as they have a very close association with the day to day operation of the Company.
- 1.2.2 The full Board currently meets approximately every month. In addition strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise.
- 1.2.3 The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Senior executives are regularly involved in board discussions and directors have other opportunities for contact with all employees.
- 1.2.4 The board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

1.3 Composition of the Board

- 1.3.1 The names of the directors of the company in office at the date of this Statement are set out in the directors' report.

- 1.3.2 The composition of the Board is determined using the following principles:
- 1.3.2.1 a minimum of three directors, with a broad range of business expertise;
 - 1.3.2.2 where possible it is a preference for an independent non-executive director as chairman;
 - 1.3.2.3 a majority of non-executive directors, with at least 50% being independent non-executive directors (This is a departure from ASX Corporate Governance Council Recommendations. The Council has recommended that a majority of directors be independent. The Company does not consider it would benefit from a change to the existing approach and the recruitment and employment costs of additional non-executive directors is too expensive for a company of this size.);
 - 1.3.2.4 enough directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge responsibilities;
 - 1.3.2.5 no maximum period of service but subject to re-election every three years (except for the Managing Director) with retirement by the age of 70.
- 1.3.3 An independent director is a director who is not a member of management (a non-executive director) and who:
- 1.3.3.1 is not a substantial shareholder of the company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the company;
 - 1.3.3.2 has not within the last three years been employed in an executive capacity by the company, or been a director after ceasing to hold any such employment;
 - 1.3.3.3 within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the company;
 - 1.3.3.4 is not a significant supplier or customer of the company, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer nor has any material relationship with the company other than as a director of the company;

- 1.3.3.5 is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

1.4 Conflict of Interest

- 1.4.1 Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the company. Where the board believes that 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. Details of director related entity transactions with the Company are set out in Notes to the Annual Financial Report.

2 Nomination Committee

- 2.1 The Company's size is not sufficient to warrant the establishment of a Nomination Committee. If additional non-executive directors are required to fill casual vacancies or for additional skills the current board collectively considers available candidates and decides upon the most appropriate appointment.
- 2.2 The performance of all directors is reviewed by the Chairman each year.

3 Director education

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

4. Director dealings in Company shares

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

5. Independent professional advice and access to company information

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

6. Remuneration Committee

- 6.1 The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. It evaluates the performance of the Managing Director and monitors management succession planning. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, fringe benefits policies and professional indemnity and liability insurance policies. Remuneration levels are competitively set to attract and retain the most qualified and experienced directors and senior executives. The remuneration Committee may obtain independent advice on the appropriateness of remuneration packages.
- 6.2 The members of the Remuneration Committee are the non-executive directors of the Company.
- 6.3 The Managing Director is invited to Remuneration Committee meetings as required to discuss senior executives' performance and remuneration packages.
- 6.4 The Remuneration Committee meets as required.
- 6.5 Total remuneration for all non-executive directors is set by shareholders in general meeting. Director's fees cover all main Board activities and all committee memberships.
- 6.6 Further details of directors' remuneration, superannuation and retirement payments are set out in the directors' report and Notes published in the Annual Financial Report.

7 Audit Committee

- 7.1 The Audit Committee operates to a formal Charter which is published on the Company's Website. All members must be non-executive directors with majority being independent. The chairman of the Audit Committee may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.
- 7.2 The members of the Audit Committee during the year comprise the non-executive directors of the Company with the Auditor invited to attend all meetings.
- 7.3 The external auditors, the Managing Director and Company Secretary, are invited to Audit Committee meetings at the discretion of the Committee. The Committee meets three times during the year.
- 7.4 The responsibilities of the Audit Committee include:
 - 7.4.1 reviewing the annual, half-year and concise (if any) financial reports and other financial information distributed externally, including new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;

- 7.4.2 monitoring risk;
 - 7.4.3 considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence;
 - 7.4.4 reviewing the nomination and performance of the external auditor. The external auditors were appointed in November 2006. The external audit engagement partner will be rotated at least every five years.
 - 7.4.5 monitoring the establishment of appropriate ethical standards;
 - 7.4.6 monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements;
 - 7.4.7 addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.
- 7.5 The Audit Committee reviews the performance of external auditors on an annual basis and normally meets with them during the year as follows:
- 7.5.1 to discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
 - 7.5.2 prior to announcement of results:
 - 7.5.3 to review the half- year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings;
 - 7.5.4 to recommend Board approval of these documents;
 - 7.5.5 to finalise half-year and annual reporting:
 - 7.5.6 review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
 - 7.5.7 review the draft financial report and recommend Board approval of the financial report;
 - 7.5.8 as required, to organise, review and report on any special reviews or investigations deemed necessary by the Board.

8. Internal control framework

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

9 Business Risk management

- 9.1 Management is closely linked to the executive director given the size and nature of the organisation and management constantly monitors the business risks of the Company. Formal reports to the Board are compiled on the status of any perceived business risk.
- 9.2 The Company’s risk management reviews cover environment, occupational health and safety, property (assets), financial reporting and internal control.
- 9.3 Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue within employees and senior management. Due to the size of the Company no formal succession plan is in place for positions. The Directors will ensure vacancies are filled by competent and knowledgeable employees when retirements or resignations occur.

- 9.4 Comprehensive practices are established such that:
- 9.4.1 capital expenditure and commitments above a certain size require prior Board approval;
 - 9.4.2 financial exposures are controlled, including the use of derivatives;
 - 9.4.3 occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
 - 9.4.4 business transactions are properly authorized and executed.

10 Ethical standards

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

11 The role of shareholders

- 11.1 The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:
 - 11.1.1 the Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments. The full annual financial report is also available on the website.
 - 11.1.2 the half-yearly report contains summarized financial information and a review of the operations of the Company during the period. The half-year audited financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it as well as being published on the website.
 - 11.1.3 proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders;
 - 11.1.4 the Company presents or exhibits at industry conferences and encourages shareholders to attend to gather information and for an opportunity to meet members of the Board and senior management.

- 11.1.5 All documents that are released publicly are made available on the Company's internet web site.
- 11.1.6 The Board encourages full participation of shareholders at the Annual General meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.
- 11.1.7 The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the constitution are available to any shareholder who requests it.

12 Stakeholders

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