

# CORPORATE GOVERNANCE STATEMENT



**Mineral Deposits**  
ABN 19 064 377 420

## Corporate Governance Statement

Mineral Deposits Limited (“MDL” or “Company”) seeks to achieve high standards of corporate governance and has designed its corporate governance practices to be consistent with this objective. As an Australian listed public company, the Board of Directors (“Board”) has adopted governance practices which are, to the maximum extent considered appropriate in the Company’s present circumstances, in line with the ASX Corporate Governance Council’s “Corporate Governance Principles and Recommendations with 2010 amendments” (“Recommendations”).

### PRINCIPLE 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Recommendation 1.1:

**Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.**

**MDL practice:** The Board has not adopted a formal mandate. The Board has adopted, on an informal basis, the following roles and responsibilities.

In general, the Board:

- ▶ performs its duties and responsibilities in accordance with the laws of the jurisdiction of incorporation of the Company;
- ▶ oversees and monitors the performance of the Company in the context of the long-term interests of its shareholders;
- ▶ promotes a culture of integrity and responsibility; and
- ▶ together with management of the Company, develops a process for the timely and accurate disclosure of information which is material to the Company.

Specifically, the Board:

- ▶ is responsible for the stewardship of the Company and has final accountability for the governance of the Company’s business;
- ▶ is actively involved in the adoption of the Company’s strategic plan by working with management to determine how the strategic plan is implemented and taking responsibility for monitoring the implementation of that plan;
- ▶ has delegated the day-to-day management of the business and affairs of the Company to the senior management of the Company, subject to compliance with strategic and capital plans approved from time to time by the Board;
- ▶ is responsible for succession planning, including the recruitment, training, supervision, compensation and performance assessment of senior management of the Company;
- ▶ keeps its shareholders informed through its interim statements, annual reports and announcements and maintains a website that is designed to provide summary information on the Company as well as easy access to press releases;
- ▶ monitors and assesses the integrity of the internal controls and management information systems designed and implemented by management; and
- ▶ monitors and assesses the integrity of the risk management strategies developed and implemented by management.

A strategic balance is maintained between the responsibilities of the Executive Chairman, the Managing Director, each of the executive and non-executive directors and the Company Secretary. As Mr Limb has an executive role, the independent oversight of corporate governance and related matters has been specifically delegated to the non-executive Deputy Chairman, Dr Robert Danchin.

As Executive Chairman, Mr Nic Limb is primarily responsible for:

- ▶ formulating the strategic direction of the Company;
- ▶ managing relations with the Company’s joint venture partner; and
- ▶ oversight of the capital needs of the Company.

As Managing Director, Mr Rick Sharp is primarily responsible for:

- ▶ preparing the Company’s annual strategic plan in conjunction with other management;
- ▶ keeping the Board informed of all major project proposals and developments by way of specific reports;
- ▶ ensuring that resource development is in accordance with the Company’s approved business strategy and any specific directions of the Board; and
- ▶ maintaining relations with investors, analysts, brokers and advisors.

Other Board members assist the Executive Chairman and Managing Director as necessary.

#### Recommendation 1.2:

**Companies should disclose the process for evaluating the performance of senior executives.**

**MDL practice:** The performance of senior executives who are not also members of the Board is reviewed annually by the remuneration committee against appropriate measures. Where considered necessary or desirable, the committee conducts confidential discussions with the Chairman and other persons in relation to the performance of the Company’s senior executives including matters such as work programmes, interaction with management and perceived strengths and weaknesses. The committee’s recommendations are then brought to the Board for adoption.

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### Recommendation 1.3:

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

**MDL practice:** Performance evaluations of senior executives did take place in the reporting period in accordance with the process described in Recommendation 1.2.

### PRINCIPLE 2. STRUCTURE THE BOARD TO ADD VALUE

#### Recommendation 2.1:

**A majority of the board should be independent directors.**

**MDL practice:** The Board complies with this recommendation as it currently comprises three executive directors (including the executive Chairman) and four independent, non-executive directors.

This follows the retirement of Mr Clever Fonseca (who was an executive director) from the Board at the Company's Annual General Meeting on 18 November 2011 to take on the role of Chief Executive Officer of TiZir Limited and the appointment of Dr Tom Whiting as an independent, non-executive director on 19 January 2012.

The Directors believe that the Board currently comprises a balance of complementary skills, experience and expertise to fulfil the needs of the Company in its present circumstances.

The Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes, which include the following:

- ▶ directors are entitled to seek independent professional advice at the Company's expense;
- ▶ the non-executive directors are encouraged to meet or, if not reasonably practicable in view of their place(s) of usual residence, confer by electronic means, on a regular basis for private discussion of management issues; and
- ▶ 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 and the taking of a vote on the matter.

#### Recommendation 2.2:

**The chair should be an independent director.**

**MDL practice:** The Company's Chairman, Mr Nic Limb, is employed in an executive capacity by the Company and therefore is not independent.

Mr Limb has been a director of the Company since it listed on ASX more than 15 years ago and has an intimate knowledge of its affairs. He is an experienced company director with special expertise in the resources sector and is committed to providing the time necessary to effectively discharge his role as Chairman, taking into account his executive responsibilities for the Company and time commitments associated with his other roles. His executive responsibilities are limited (see under Recommendation 1.1 above) and he is not the chief executive officer of the Company. The directors consider that Mr Limb continues to be capable of discharging his role as Chairman but are cognisant of Recommendation 2.2 and will, with Mr Limb, continue to review his position and performance in that capacity in the context of prevailing circumstances and needs of the Company.

Dr Robert Danchin, who is an independent, non-executive director, is Deputy Chairman of the Company with special responsibility for corporate governance and related areas.

#### Recommendation 2.3:

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

**MDL practice:** The Company's Chairman, Mr Nic Limb, and the Managing Director and Chief Executive Officer, Mr Rick Sharp, have separate roles.

#### Recommendation 2.4:

**The board should establish a nomination committee.**

**MDL practice:** The Company does not have a nomination committee and consequently does not comply with this Recommendation. The Board considers that it continues to be of a size, composition and experience which is conducive to making the relevant decisions itself efficiently and expeditiously. As the size and composition of the Board and the skill sets of its members change, the Board will reconsider the need for a separate nomination committee.

#### Recommendation 2.5:

**Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.**

**MDL practice:** The Board has adopted processes to measure its own performance and that of its committees and individual directors. The annual performance evaluation reviews the performance of the Board against its responsibilities and the performance of committees against the terms of their respective charters. It also reviews the contribution of each member of the Board and each committee and considers the changes that may be required to relevant charters, taking into account developments in the Company and its businesses over the preceding year, and in corporate governance practices. The annual performance evaluation also sets forth the goals and objectives of the Board for the following year. The Chairman conducts confidential discussions with each director in relation to matters such as work programme, interaction with management and perceived strengths and weaknesses of the Board and its committees. The Company Secretary is accountable to the Board on all governance and compliance matters. After discussion between the Chairman, Deputy Chairman and Company Secretary, any significant performance related issues identified, or changes recommended, are referred to the Board for action in its ongoing development programme.

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### Recommendation 2.6:

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

**MDL practice:** The skills, experience and expertise relevant to the position of director held by each director in office as at 31 December 2011 are set out in the Company's annual report and on its website.

As stated above in relation to Recommendation 2.1, the directors considered by the Board to constitute independent directors are Dr David Isles, Dr Robert Danchin, Mr Murray Grant and Dr Tom Whiting. There are no relationships which may affect their independent status.

Also as stated above, there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the Company.

The Board seeks to achieve a mix of skills, knowledge, expertise as well as operational and international experience in its directors. While the Board recognises the diverse range of backgrounds and qualifications in its current directors, it also recognises the current gender imbalance. The Board has adopted a Diversity Policy to address all areas of diversity throughout the Company and to promote equal opportunity. The Diversity Policy is set out in Recommendation 3.2 and is also available on the Company's website.

### PRINCIPLE 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

#### Recommendation 3.1:

**Companies should establish a code of conduct and disclose the code or a summary of the code as to:**

- ▶ the practices necessary to maintain confidence in the Company's integrity;
- ▶ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
- ▶ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**MDL practice:** The Board has responsibility for protecting, guiding and monitoring the business affairs of the Company in the interests and for the benefit of all stakeholders. It continues to be the policy of the Company for directors, senior executives and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, public servants and the general communities in which it operates. The Board has formally adopted a Code of Ethics which sets out the principles and standards with which all Company officers and employees are expected to comply in the performance of their respective functions. Under the code, officers and employees are expected to:

- ▶ comply with the law;
- ▶ act honestly, fairly and with integrity;
- ▶ be sensitive to and respectful of cultural and religious differences, sites and objects;
- ▶ not place themselves in situations which result in divided loyalties;
- ▶ use MDL's assets responsibly and in the interests of the Company;
- ▶ respect the confidentiality of information received while performing their duties; and
- ▶ be responsible and accountable for their actions.

The group conducts its business within the Code of Ethics, and in accordance with the group's core values which are to:

- ▶ act with integrity and fairness;
- ▶ create a safe, challenging and rewarding workplace;
- ▶ respect and protect the environment;
- ▶ be commercially competitive; and
- ▶ foster a performance driven culture.

#### Recommendation 3.2

- ▶ **Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.**

- ▶ **MDL practice:** The Board has adopted a Diversity Policy. The policy is set out below and is also available on the Company's website.

#### Benefits of diversity

MDL recognises that a talented and diverse workforce is a key competitive advantage and our success is a reflection of the quality and skills of our people. The Company benefits by bringing together high quality people of different gender, age, ethnicity and cultural backgrounds who possess a diverse range of experiences and perspectives.

MDL values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably.

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### Objectives

Workplace diversity contributes to achieving MDL's corporate objectives and enhances its corporate image and reputation. To this end the Company aims to:

- ▶ recruit the right people from a diverse pool of high quality candidates;
- ▶ make more informed and innovative decisions, drawing on a wide range of ideas, experiences, approaches and perspectives that employees from diverse backgrounds and differing skill sets bring to their roles; and
- ▶ better represent the diversity of its stakeholders and the global community in which the Company operates.

### Strategy

MDL seeks to achieve these objectives by:

- ▶ recruiting and managing on the basis of competence and performance regardless of age, ethnicity, gender or cultural background;
- ▶ providing equal opportunities based on merit;
- ▶ fostering a culture that empowers people to act in accordance with this policy;
- ▶ fostering an inclusive, supportive and respectful culture to enable all personnel to reach their full potential;
- ▶ respecting the unique attributes that each individual brings to the workplace; and
- ▶ establishing and reviewing measurable objectives, particularly on gender diversity.

### Application

- ▶ The Board of MDL takes responsibility for monitoring and ensuring this policy is implemented. This policy applies to all personnel engaged by MDL and under MDL's operational control. Every employee within MDL is responsible for supporting and maintaining MDL's corporate culture and integrity, including its commitment to diversity in the workplace.

#### Recommendation 3.3:

**Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.**

**MDL practice:** The Board has not yet set measurable objectives for achieving gender diversity. Appropriate and measurable objectives for the Company will be considered in the ensuing year.

#### Recommendation 3.4:

**Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.**

**MDL practice:** As at 31 December 2011 MDL had the following employee workforce profile:

	Female	Female %	Male	Male %
Board of Directors	0	0	7	100
Executive Management (including Executive Directors)	1	25	3	75
Other	2	20	8	80
<b>Total</b>	<b>3</b>	<b>21</b>	<b>11</b>	<b>79</b>

#### Recommendation 3.5:

**Companies should provide the information indicated in the Guide to reporting on Principle 3.**

**MDL practice:** All information has been provided above.

## PRINCIPLE 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### Recommendation 4.1:

**The board should establish an audit committee.**

**MDL practice:** The Board has established an audit committee.

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### Recommendation 4.2:

The audit committee should be structured so that it:

- ▶ consists only of non-executive directors;
- ▶ consists of a majority of independent directors;
- ▶ is chaired by an independent chair who is not chair of the board; and
- ▶ has at least three members.

**MDL practice:** The audit committee comprises three members, all of whom are independent, non-executive directors of the Company. The current members are Dr David Isles, Dr Robert Danchin and Mr Murray Grant. Dr Isles, who is not the Chairman of the Board, is the Chairman of the remuneration committee.

### Recommendation 4.3:

The audit committee should have a formal charter.

**MDL practice:** The Board of MDL has adopted a formal charter for the audit committee. The charter is structured to separately address objectives, membership, authority, responsibilities and procedures.

The responsibilities of the audit committee include:

- ▶ ensure the integrity of external financial reporting;
- ▶ ensure that the directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them;
- ▶ ensure that controls are established and maintained in order to safeguard the Company's financial and physical resources;
- ▶ ensure that systems or procedures are in place so that the Company complies with relevant statutory, regulatory and reporting requirements and achieves best practice including implementation of these principles and recommendations; and
- ▶ assess financial risks arising from the Company's operations and consider the adequacy of measures taken to moderate those risks.

### Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

**MDL practice:** A copy of the Charter of the audit committee is available on the Company's website and will be provided to any shareholder upon request to the Company Secretary. It includes information in relation to the appointment and review of the external auditor.

## PRINCIPLE 5. MAKE TIMELY AND BALANCED DISCLOSURE

### Recommendation 5.1:

Companies should establish written policies 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.

**MDL practice:** The Board is responsible for monitoring compliance with ASX Listing Rules and TSX disclosure requirements. The Company Secretary is responsible, under the ASX Listing Rules, for all communications with ASX. The Executive Chairman, Managing Director and Company Secretary are the members of the Disclosure Committee which has been established to manage the Company's continuous disclosure obligations reporting to the Board.

MDL listed on the TSX in December 2007 and additionally meets the continuous disclosure requirements of the TSX and applicable Canadian securities regulatory authorities.

### Recommendation 5.2:

Companies should provide the information indicated in the Guide to reporting on Principle 5.

**MDL practice:** The Board has adopted a Market Disclosure and Communications Policy for the Company which is available on the Company's website. The policy covers the obligations under the Listing Rules of ASX, the TSX Company Manual and applicable Canadian securities regulatory authorities.

## PRINCIPLE 6. RESPECT THE RIGHTS OF SHAREHOLDERS

### Recommendation 6.1:

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

**MDL practice:** Directors recognise that shareholders are the ultimate owners of the Company and 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 MDL shares.

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The Company has adopted a Market Disclosure and Communications Policy which is available on the Company's website. This policy is designed to encourage effective communication through:

- ▶ clear and concise disclosures;
- ▶ the timely release of information;
- ▶ providing information updates to investors by email; and
- ▶ providing information about the last three years' announcements on the Company's website.

The Board encourages full participation of shareholders at general meetings to ensure a high level of accountability, understanding of the Company's strategy and goals, and enable their participation in decision-making.

### **Recommendation 6.2:**

**Companies should provide the information indicated in the Guide to reporting on Principle 6.**

**MDL practice:** All information is provided in Recommendation 6.1 above.

## PRINCIPLE 7. RECOGNISE AND MANAGE RISK

### **Recommendation 7.1:**

**Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

**MDL practice:** The Board is responsible for the oversight of the group's risk management and control framework. The audit committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the framework.

The Board has implemented a policy framework designed to ensure that the group's risks are identified and that controls are adequate, in place and functioning effectively.

Arrangements put in place by the Board to monitor risk management include:

- ▶ regular reporting to the Board in respect of operations and the financial position of the group and weekly reporting of the financial position;
- ▶ reports by the Chairman of the audit committee to the Board at least twice a year;
- ▶ attendance of appropriate managers/personnel at Board meetings whenever required by the Board;
- ▶ commissioning of special reports on aspects of risk mitigation as considered necessary; and
- ▶ presentations to the Board by appropriate managers/personnel (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which have been or can be adopted to manage or mitigate the risk.

### **Recommendation 7.2:**

**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.**

**MDL practice:** The Managing Director and Company Secretary of MDL are responsible to the Board for the global risk management and control framework. That responsibility includes the identification of material business risks and the design and implementation of strategies and systems to manage and insure, where possible, the Company's material business risks, where appropriate in conjunction with the audit committee. Areas of significant business risk are highlighted in the strategic plan presented to the Board by the Managing Director each year. The Managing Director and Company Secretary are required to report to the Board annually as to whether the Company's material business risks are being managed effectively.

### **Recommendation 7.3:**

**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.**

**MDL practice:** MDL's Managing Director and Chief Executive Officer reports in writing to the Board (through the audit committee) that:

- ▶ the declaration given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control; and
- ▶ the Company's system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

### **Recommendation 7.4:**

**Provide information on reporting on Principle 7.**

**MDL practice:** The Board has received the report from management under Recommendation 7.2 and assurance from the Managing Director under Recommendation 7.3. The Company's risk oversight and management policy, as updated, is posted on the Company's website.

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### PRINCIPLE 8. REMUNERATE FAIRLY AND RESPONSIBLY

#### Recommendation 8.1:

**The board should establish a remuneration committee.**

**MDL practice:** The Company has a remuneration committee.

#### Recommendation 8.2:

**The remuneration committee should be structured so that it:**

- ▶ consists of a majority of independent directors
- ▶ is chaired by an independent chair
- ▶ has at least three members.

**MDL practice:** The remuneration committee is comprised of three independent, non-executive directors. The current members of the MDL remuneration committee are Dr David Isles, Dr Robert Danchin and Mr Murray Grant with Dr Isles, who is not the Chairman of the Board, appointed as the Chairman of the committee.

#### Recommendation 8.3:

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

Detailed commentary on the remuneration of directors (both executive and non-executive) and senior executives is set out in the Remuneration Report which forms part of the Company's Annual Report. The Annual Report is available on MDL's website. In summary the following remuneration policy applies:

#### Non-executive directors

Non-executive directors each receive a fixed fee for their services as directors and statutory superannuation (where applicable). No additional fees are paid for participation on any Board Committees. In addition, non-executive directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred whilst engaged on Company business. Non-executive directors do not receive retirement benefits. No non-executive directors participated in any incentive plans during the 2010/11 financial year and are not eligible to participate in any future issues from Company incentive plans.

#### Executive directors and senior executives

The Company's remuneration structure for executives comprises both "fixed" and "at risk" elements.

- ▶ The "fixed" component includes base salary, superannuation and other allowances such as parking and vehicles (where applicable). The Board conducts regular benchmarking of executive positions and takes into account recommendations of external remuneration consultants to ensure fixed remuneration for executives remains competitive with companies in similar industries and those of similar market capitalisation.
- ▶ The "at risk" component comprises short term incentive (STI) and long term incentive (LTI) plans. Executives are eligible to participate in STI and LTI plans under which any reward is tied to satisfaction of performance hurdles.

#### Recommendation 8.4:

**Companies should provide the information indicated in the Guide to reporting on Principle 8.**

**MDL practice:** The information required for Recommendation 8.4 is set out above in Recommendations 8.1, 8.2 and 8.3. Details of meetings are contained within the Directors Report for the year ended 31 December 2011. The remuneration committee charter is available on the Company's website.