

CORPORATE GOVERNANCE

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Introduction

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Discovery Metals Limited have adhered to the principles of corporate governance and this statement outlines the main corporate governance practices in place throughout the financial year. The ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations on 2 August 2007. Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

1. Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuing arrangements are in place to adequately manage those risks.

A Board Charter has been adopted by the Board and primary responsibilities include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the operational and financial position and performance of the Company, including approval of the Company's financial statements;
- requiring that financial and other reporting mechanisms are put in place which result in adequate, accurate and timely information being provided to the Board and the Company's shareholders and the financial market as a whole being fully informed of all material developments relating to the Company;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- appointment of the Managing Director and all direct executive reports, the review of their performance and remuneration;
- the establishment and maintenance of appropriate ethical standards; and
- reviewing and, to the extent necessary, amending the Board and Committee Charters regularly.

Due to its size and structure, the Board of Directors is able to meet regularly throughout the year for management and formal Board meetings, as well as being in frequent communication by way of telephone to ensure compliance with ASX Listing Rule disclosure requirements.

The responsibility for the operation and administration of the Company is carried out by the Managing Director, who operates in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the Board.

The current directors of the Company are as follows:

Mr Gordon Galt	- Chairman – Independent
Mr Brad Sampson	- Managing Director
Mr Morrice Cordiner	- Non-Executive Director – Independent
Mr Ribson Gabonowe	- Non-Executive Director - Independent
Mr Jeremy Read	- Non-Executive Director
Mr John Shaw	- Non-Executive Director – Independent

For information in respect to each director refer to the directors' report.

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The following policies or obligations have been established by the Board and are available on the Company's website:

- Continuous disclosure
- Code of Conduct
- Share trading
- Audit & Financial Risk
- Board Charter
- Risk Management

2. Independent Directors

Under ASX guidelines four of the current Board members are considered to be independent, namely the Chairman, Mr Gordon Galt and the three non-executive directors, Mr Cordiner, Mr Shaw and Mr Gabonowe. Mr J Read is a former Managing Director and under the ASX guidelines is not considered to be independent by virtue of his previous position. The Board is considered to be appropriate for the size of the Company and the nature of its operations and is a cost effective structure for managing the Company.

3. Board Composition

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next meeting of shareholders of the Company.

4. Term of Appointment as a Director

The constitution of the Company provides that a director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the directors must retire each year and are eligible for re-election. The directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

5. Risk Management and Internal Controls

Audit and Financial Risk Committee

The Board has established an Audit and Financial Risk Committee. The Committee members are:

Morrice Cordiner (Chairman)
Gordon Galt
John Shaw

The Committee's responsibilities include:

- providing the Board with advice and recommendations regarding the ongoing development of financial risk oversight and management policies (covering oversight, risk profile, risk management, compliance and control) that set out the roles and respective accountabilities of the Board, the Audit Committee, management and the internal audit function;
- receiving and reviewing management's recommendations and providing the Board with advice and recommendations regarding the establishment of a financial risk management system and financial risk profile;
- receiving a report from management and reviewing, at least annually, the effectiveness of the Company's implementation of the financial risk management system;
- regularly reviewing the Company's financial risk profile (provided by management) having regard to key financial risk, legal and regulatory risk and disclosure and reporting;
- reviewing internal control and audit functions and their effectiveness;

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- reviewing financial statements provided by management for accuracy, adequacy and clarity to ensure they give a true and fair view of the Company's financial position and adhere to accounting standards and policies and legislative requirements;
- with respect to the external auditor, approving and recommending policies and procedures for appointing or removing an external auditor and terms of engagement;
- regularly reviewing and assessing the compliance of the external auditor with policies and procedures, the effectiveness and independence of the external auditor; and
- monitoring the relationship between management and the auditor.

The Audit and Financial Risk Committee meets as required but at a minimum at least twice a year. The Managing Director and the Chief Financial Officer are invited to attend the Audit and Financial Risk Committee meetings.

The Board and Audit and Financial Risk Committee also, to a certain extent, rely on the auditors to ensure compliance with relevant accounting standards and gives full and complete co-operation to its auditors without absolving itself of its responsibility. Where appropriate the Board and the Audit & Financial Risk Committee engage independent experts or professional advisors to assist with the identification and/or management of any key risk areas identified.

To ensure that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified, the Board has also adopted a Risk Management Policy to:

- ensure the Company's risk management policies and procedures are adequate;
- monitor compliance with the Company's risk management policies and procedures;
- keep itself apprised of the latest developments, policies, trends in relation to financial matters, rules, regulations to the extent that they may affect the Company or the markets in which the Company operates;
- oversee the establishment and implementation of a risk management system and review (at least annually) the effectiveness of the Company's implementation of that system;
- review the Company's internal financial control mechanisms and risk management policies;
- compile a risk profile of the material risks facing the Company;
- establish and implement a system for identifying, assessing, monitoring and managing material risk throughout the Company;
- review major non-financial regulatory matters covering areas of exposure including the environment, safety and health, asset protection (including insurance), discrimination and harassment, conflict of interest and ethical standards.

Each year the Managing Director and the Chief Financial Officer provide a statement to the Board in writing in respect to the integrity of the financial statements, that they are founded on a sound system of risk management and internal compliance and control, and that the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

6. Board Committees

Nominations Committee and Remuneration Committee

The board believes that to establish a separate Nomination and Remuneration Committees would contribute little to the Company's effective management. Accordingly the nomination of new directors and the setting, or review, of remuneration levels of directors and senior executives is performed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within the Board, appropriate external advice may be taken prior to a final decision.

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7. Remuneration and Performance

The Board as a whole deals with the remuneration of directors and key executives of the Company and a separate remuneration committee was deemed not to be required at this stage. The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders. Fees for non-executive directors are not linked to the performance of the Consolidated Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the directors' option plan.

8. Conflict of Interest

The directors must keep the Company informed, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes 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.

9. Independent Professional Advice

Each director has the right of access to all relevant Company information and to the Company's executives. Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

10. Code of Conduct

The Board has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. This Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders and the community as a whole.

11. Communication to Market & Shareholders

The Board Charter, Code of Conduct and Share Trading Policy all recognise legal and other obligations and support the legitimate interests of all stakeholders.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is made available to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate;
- the Annual General Meeting and other meetings called to obtain approval for Board action as appropriate; and
- the Company's website.

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12. Share Trading

Share trading by Company employees is not permitted at any time during black-out periods or whilst in the possession of price sensitive information. Employees of the Company are prohibited from trading in securities whilst in possession of any inside information as per the Corporations Act 2001.

13. External Auditors

The external auditor is RSM Bird Cameron Partners.

The external auditor attends the Annual General Meeting and part of the agenda is the tabling of the financial statements and inviting shareholders to ask the directors or the auditor any questions with regard to the financial statements and the audit report.

The Corporate Governance Policies of the Company will be continually reviewed in accordance with the standards required of the Company by the Directors, the ASX, ASIC and other stakeholders to ensure that appropriate governance standards are maintained.

Full details of all of the Company's corporate governance policies can be viewed at its website –

www.discoverymetals.com.au