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CORPORATE GOVERNANCE

POLICY

**AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY**

| | |
|---|-----------|
| <u>Introduction</u> | 3 |
| <u>Principle 1</u> <u>Lay solid foundations for management and oversight</u> | 4 |
| <u>Principle 2</u> <u>Structure the board to add value</u> | 5 |
| <u>Principle 3</u> <u>Promote ethical and responsible decision making</u> | 6 |
| <u>Principle 4</u> <u>Safeguard integrity in financial reporting</u> | 7 |
| <u>Principle 5</u> <u>Make timely and balanced disclosure</u> | 9 |
| <u>Principle 6</u> <u>Respect the rights of shareholders</u> | 10 |
| <u>Principle 7</u> <u>Recognise and manage risk</u> | 11 |
| <u>Principle 8</u> <u>Encourage enhanced performance</u> | 13 |
| <u>Principle 9</u> <u>Remunerate fairly and responsibly</u> | 14 |
| <u>Principle 10</u> <u>Recognise the legitimate interests of stakeholders</u> | 16 |

AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY

Introduction

This Corporate Governance Policy has been formulated based on the best practice requirements for corporate governance as set out in *“ASX Corporate Governance Council: Principles of Good Corporate Governance and Best Practice Recommendations”, March 2003.*

The Corporate Governance Policy outlines the ten essential corporate governance principles in accordance with the best practise guidelines.

For reporting periods commencing on or after 1 July 2003 Ammtec is required in accordance with listing rule 4.10 to provide a statement in the annual report disclosing the extent to which they have followed the best practise recommendations in the reporting period.

Where the recommendations have not been followed then Ammtec must identify those recommendations and give reasons for not following them.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

Principle 1 Lay solid foundations for management and oversight

Recognise and publish the respective roles and responsibilities of board and management

Board Charter

The Board of Directors guide and monitor the business and affairs of the company on behalf of the shareholders to whom they are responsible.

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the company's circumstances and ensure processes and procedures are in place to achieve the company's corporate governance objectives.

To give further effect, a number of Board Committees to assist in the execution of its responsibilities have been established including a Remuneration Committee, an Audit Committee and a Risk Assessment and Management Committee.

The Board, in the discharge of its duties, is required to delegate responsibility for the operation and administration of the company to management.

The Managing Director, being involved in the day to day operation of the company, ensures the efficiency of this responsibility and reports to the Board.

The main responsibilities of the Board are detailed below:

- Board meetings are held on a regular basis, usually every quarter. Prior to each meeting, the Directors receive an agenda together with detailed attachments concerning those items for discussion.
- Items reviewed at each meeting include but are not limited to shareholder movements, financial results for the period, the Managing Directors report, Report on Operations, ASX Continuous Disclosure requirements and budgets.
- The board is responsible for making final decisions regarding major capital expenditure, capital management and acquisitions and divestures.
- The board is responsible for monitoring the performance of the managing director

Principle 2 Structure the board to add value

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Composition and Organisation of the Board

The composition of the Board is determined using the following principles:

- The Chairman of the Board is a non-Executive and independent director.
- The Board will comprise Directors with a broad range of expertise and experience relevant to the company's business. There is no set ratio of non-Executive to Executive Directors, however the Board will include a minimum of two non-Executive Directors.
- There is no maximum for the number of Directors on the Board. Currently there are six Directors, three non-executive, two executive and one alternate executive. When it is considered that the Board would benefit from the services of a new Director with particular skills, then an appropriate person will be elected.
- The positions of Chairperson and Managing Director must be filled by different people.
- The board's responsibilities are covered in Principle 1.

AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY

Principle 3 Promote ethical and responsible decision making

Actively promote ethical and responsible decision making.

A code of conduct to guide the directors, the managing director and any other key executives as to the practises necessary to maintain confidence in the company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practises is outlined in the directors letter of appointment.

Each Director has the right to seek independent professional advice at the company's expense. However, prior approval of the Board is required, which should not be unreasonably withheld.

The Board aims to ensure that all Directors, managers and employees act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

A letter of appointment is provided to all directors detailing their duties and responsibilities as a director. This is updated when their term is renewed every three years. The letter of appointment also discloses the policy concerning trading in company securities by directors and officers as follows.

If during the course of acting as a director of Ammtec you come across any details or matters which may effect the share price of the security you may not trade in those securities until this information has been made available to the ASX.

You must advise the Company Secretary of Ammtec Limited of any change in your security holdings in the company within 3 days of that change occurring.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

Principle 4 Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

Sign-off on Financial Statements

The Managing Director being the responsible director is required to state in writing to the board that the financial reports present a true and fair view of the company's financial position and that the operational results are in accordance with relevant accounting standards.

Audit Committee

The Audit Committee consists of three non-Executive Directors who are all considered to be independent directors.

Audit Committee Charter

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the company.

The Audit Committee also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The Auditors, Managing Director and Company Secretary are invited to Audit Committee meetings as appropriate.

The responsibilities of the Audit Committee include the following:

- Identifying significant risks and ensuring that adequate processes are in place to adequately manage those risks.
- To maintain and review systems of controls within the company and redress any deficiencies or breakdowns when they arise.
- Reviewing compliance of the board and company with all relevant legislation including the Corporations Act 2001, ASX Listing Rules and Income Tax Legislation.
- Maintenance of proper accounting records and ensure the implementation of any improvement in the quality of the accounting function.

The Audit Committee is responsible for liaising with the company's Auditors during the year and ensuring that the annual audit and half-year review are conducted in an effective manner.

AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY

The Auditors are engaged, subject to satisfactory completion of their duties for the period of three years. The audit engagement will be formally reviewed at the conclusion of each three year period.

In conjunction with the performance of the audits, the Audit Committee reviews the following and makes recommendations to the Board for the approval of the reports:

- The results and findings of each audit, the adequacy of financial and operating controls, and monitors the implementation of any recommendations made.
- The proforma preliminary final statement and proforma half-year statement prior to lodgement of these documents with the ASX, and any significant adjustments required as a result of the audit.
- The draft financial statements and the audit report prior to lodgement with ASIC and ASX.

AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY

Principle 5 Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company.

Policies and procedures are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance

Procedures are also in place to ensure that all relevant information is reported to the Australian Stock Exchange in accordance with the Continuous Disclosure Requirements.

The Company secretary is responsible for all communications with the ASX and the directors are updated on these details at each board meeting.

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities.

Monthly financial statements are prepared and comparison is made to budgets on a monthly basis.

The quality and integrity of the company's personnel is monitored through the careful selection and training of personnel. Appraisals are conducted annually for all employees.

AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY

Principle 6 Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the company during the year, changes in the state of affairs of the company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.
- Half-year reviewed financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the ASIC and the Australian Stock Exchange and contain summarised financial information together with a review of the operations of the consolidated entity during the period.
- Proposed major changes in the company which may impact on share ownership rights are submitted to a vote of shareholders.
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.
- The shareholders are responsible for voting on the appointment of Directors.
- The board encourages the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the auditors report.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

Principle 7 Recognise and manage risk

Establish a sound system of risk oversight and management of internal control.

The board of directors of Ammtec Ltd recognises the need for risk oversight and management being an integral component of the business of the company. It is the policy of the board that all risk to shareholders funds and stakeholders in the company be identified, assessed, monitored and managed. The Ammtec board has established a committee of the board of directors to achieve best practice in risk oversight, management and internal control.

The Risk Assessment & Management Committee [RAMC] has three members – Rod Smith, Hamid Sharafizad, and Graham Lloyd. The committee reports directly to the board of directors.

The committee has established policies on risk oversight and management, which have been ratified by the board of directors. This will require the AMMTEC staff to:

- Establish a context
- Identify the risk
- Analyze the risk
- Evaluate the risk
- Treat the risk
- Monitor and review the action
- Communicate and consult with all parties

Establish a context

This is the strategic, organizational and risk management context against which the rest of the risk management process in AMMTEC will take place. Criteria against which risk will be evaluated should be established and the structure of the risk analysis defined.

Identify Risks

This is the identification of what, why and how events arise as the basis for further analysis.

Analyse Risks

This is the determination of existing controls and the analysis of risks in terms of the consequence and likelihood in the context of those controls. The analysis should consider the range of potential consequences and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

Evaluate Risks

This is a comparison of estimated risk levels against pre-established criteria. This enables risks to be ranked and prioritised.

Treat Risks

For higher priority risks, AMMTEC is required to develop and implement specific risk management plans including funding considerations. Lower priority risks may be accepted and monitored.

Monitor and Review

This is the oversight and review of the risk management system and any changes that might affect it. Monitoring and reviewing occurs concurrently throughout the risk management process.

Communication and Consultation

Appropriate communication and consultation with internal and external stakeholders should occur at each stage of the risk management process as well as on the process as a whole.

Reporting on Risk Assessment and Management

In addition the managing director is required to state to the board in writing that the financial statements are 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 system is operating efficiently and effectively in all material respects in accordance with the risk management policies outlined above.

Principle 8 Encourage enhanced performance

Fairly review and actively encourage enhanced board and management effectiveness.

The Chairman assesses on a regular basis the performance of the board members.

The remuneration committee is responsible for assessing the performance of the executive directors and key executives.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

Principle 9 Remunerate fairly and responsibly

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to key executives and corporate performance

Ammtec assess individual employee salaries on a yearly basis. When determining the remuneration to be paid to employees account is taken of their contribution to the business during the financial year and changes in the cost of living.

The key executives of the company are the executive directors, the Remuneration Committee is responsible for determining their remuneration packages based on performance during the year.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Executive Director and senior executives.

Remuneration for non-Executive Directors is recommended by the Committee based on current market rates. This is subject to approval at the annual general meeting of shareholders each year.

The Remuneration Committee consists of three (minimum of two) non-Executive Directors and meets as required. The Managing Director is invited to the Remuneration Committee meetings as appropriate to discuss management performance and remuneration packages.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages.

Remuneration of Non-Executive Directors

Remuneration of non-executive directors is approved by shareholders based on recommendations of the Remuneration Committee. Non-executive directors are not eligible to receive options or bonuses.

Superannuation is paid to non-executive directors at the mandated statutory rate only.

AMMTEC LIMITED
CORPORATE GOVERNANCE POLICY

Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

All equity based remuneration of directors needs to be approved at a general meeting of all shareholders. 75% of the votes cast excluding those of the relevant directors needs to be in favour of the resolution for it to be passed.

The current employee option scheme is under review and any changes to the scheme will need to be approved by a general meeting of shareholders.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

Principle 10 Recognise the legitimate interests of stakeholders

Recognise legal and other obligations to all legitimate stakeholders.

Ammtec's Mission Statement

Our Vision

Our vision is to be a global organisation that is regarded by our customers, competitors, employees, suppliers and stakeholders as the leader in providing metallurgical consulting and test work services.

Our Mission

Our aim is to maximise shareholder value by providing accurate, efficient and economical, metallurgical design data for mining projects around the world.

Our Values

Fundamental to creating and maintaining shareholder value is our commitment to:

- **PEOPLE** – they constitute our single most important advantage. It is only through the combined efforts of our people that we will grow and prosper.
- **INTEGRITY** – Caring about how we get results. We are committed to a future based on the fundamentals of our *Code of Conduct*, and ensuring our actions match our words.
- **LEADERSHIP** – This provides the environment for all our people to realise their potential and focus on our goals.
- **PERFORMANCE** – We aim to continuously improve all that we do, measuring what is important and driving for excellence
- **INNOVATION** – Differentiating our business through innovation

Ammtec's Code of Conduct

Ammtec Limited has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. This code of conduct will be published on the website.

Ammtec Code of Conduct

Ammtec Limited and its wholly owned subsidiaries Metcon Laboratories and Optimet Laboratories employ metallurgists, chemical engineers, chemists, technologists and administration personnel. All staff operate under the code of ethics and the code for consultants as required by the Australasian Institute for Mining and Metallurgy (AusIMM).

Our established Code of Conduct describes five ethical principles, respect for persons, respect for the law and system of government, integrity, diligence, and economy and efficiency.

The Code outlines our expected ethical standards and provide a guide to appropriate ethical behaviour for executives, managers and employees in carrying out their duties and responsibilities.

AMMTEC LIMITED CORPORATE GOVERNANCE POLICY

The Ammtec Code of Conduct is the most important document issued by the company. The code applies to our directors, employees and contractors.

Ammtec wishes to enhance our deserved reputation for integrity, and to be valued as an employer and business associate in all our relationships. This objective is reflected in our pride in what we do and how we do it.

The AMMTEC board and executive management believes that integrity is an important quality and one which, by improving our reputation, gives advantages to our employees and shareholders.

An outline of how we act is shown below:

- We recognise and manage risk
- We treat each other with respect and dignity.
- We respect the law and act accordingly.
- We are fair and honest in our dealings.
- We are accountable for our actions and their consequences.