

### **Corporate Governance Statement**

The Directors of Alloy Resources Limited ("Alloy") or the ("Company") support the establishment and ongoing development of good corporate governance for the Company and the consolidated entity.

Alloy has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company is committed to administering the policies and procedures with openness and integrity, commensurate with the Company's needs.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the revised Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("**ASX Principles and Recommendations**").

Further information about the Company's corporate governance practices is set out on the Company's website at [www.alloyres.com](http://www.alloyres.com). In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Board Charter
- Code of Conduct for Directors and Key Executives
- Code of Ethics and Conduct
- Share Trading Policy
- Shareholder Communication Strategy
- Continuous Disclosure Policy

This Statement sets out the corporate governance practices in place during the financial year and as at the date of this report which comply with the principles of the Corporate Governance Council unless otherwise stated.

#### *Corporate Governance Council Principle 1* **Lay Solid Foundations for Management and Oversight**

##### **Role of the Board of Directors**

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors. The Board approves and monitors expenditure, ensure the integrity of internal controls and monitors and approve financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Board has adopted a Board Charter which clarifies the respective roles of the Board and assists in decision making processes.

##### **Board Processes**

An agenda for Board meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Managing Director and the Company Secretary.

##### **Evaluation of Senior Executive Performance**

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council as the Board have not undertaken a formal review of senior executive performance for the year ended 30 June 2009.

**Corporate Governance Statement (continued)**

*Corporate Governance Council Principle 1 (continued)*

**Evaluation of Senior Executive Performance (continued)**

Due to the early stage of development of the Company, it is difficult for quantitative measures of performance to be established. As the Company progresses its current projects, the Board intends to establish appropriate evaluation procedures. The Chairman assesses the performance of the executive director on an informal basis.

*Corporate Governance Council Principle 2*

**Structure the Board to Add Value**

**Board Composition**

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

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 the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board is presently comprised of four members, three non-executive and one executive.

The Board has assessed the independence of its non executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that the current non-executive Chairman, Mr Peter Harold is the only director that meets the recommended independence criteria. As the Board does not have a majority of independent directors as set out in the best practice recommendations, the Company does not comply with Recommendation 2.1 of the Corporate Governance Council. However, the Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

**Independent Chairman**

The Chairman is an independent director and as such Recommendation 2.2 of the Corporate Governance Council has been complied with.

**Roles of Chairman and Chief Executive Officer**

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such the Company complies with Recommendation 2.3 of the Corporate Governance Council.

**Nomination Committee**

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making.

**Corporate Governance Statement (continued)**

*Corporate Governance Council Principle 2 (continued)*

**Evaluation of Board Performance**

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.

**Education**

All Directors are encouraged to attend professional education courses relevant to their roles.

**Independent professional advice and access to information**

Each Director has the right to access all relevant information in respect to the Company at the expense of the Company and to make appropriate enquiries of senior management.

The skills, experience and expertise of all Directors is set out in the Directors' details section of the Directors' Report.

*Corporate Governance Council Principle 3*

***Promote Ethical and Responsible Decision Making***

The Board actively promotes ethical and responsible decision making.

**Code of Conduct**

The Board has adopted a Code of Conduct that applies to Directors and key Executives of the Company and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards.

In addition the Board has adopted an Ethics and Conduct Policy which applies to all employees, consultants and Directors.

The Ethics and Conduct Policy addresses the following:

- Confidential Information;
- Rights of Security holders;
- Privacy;
- Security Trading;
- Communications;
- Conflicts of Interest;
- Responsibility to Suppliers and Customers;
- Laws and Regulations;
- Employment; and
- Adherence to Policies and Procedures.

**Security Trading Policy**

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. It also provides that notification of intended trading should be given to the Chairman prior to trading.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the Company's securities.

**Corporate Governance Statement (continued)**

*Corporate Governance Council Principle 4*  
**Safeguarding Integrity in Financial Reporting**

**Managing Director and Company Secretary**

The Board requires the Managing Director and the Company Secretary to provide a written statement that the financial statements of Company present a true and fair view, in all material aspects, of the financial position and operational results. In addition, confirmation is provided that all relevant accounting standards have been appropriately applied.

**Audit Committee**

The Company does not have a separately constituted audit committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3 of the Corporate Governance Council. The Company is not of a size nor are the affairs of a complexity sufficient to warrant the existence of a separate audit committee. The full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors' section of the Directors' Report.

External audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit are discussed directly between the Board and the audit engagement partner.

**External Auditors**

The Company's policy is to appoint external Auditors who clearly demonstrate quality and independence. Performance of the external auditor is reviewed annually by the Board. Audit Partner rotation is as required by the Corporations Act 2001. The external auditor is requested 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 audit report

**Financial reporting**

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board Meetings.

*Corporate Governance Council Principle 5*  
**Make Timely and balanced disclosure**

**Timely and balanced disclosure**

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Stock Exchange Listing Rules. The Company has adopted a Continuous Disclosure Policy designed to ensure compliance with the ASX Listing Rule Requirements in accordance with Recommendation 5.1 of the Corporate Governance Council.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary has been appointed as the Company's disclosure officer.

**Corporate Governance Statement (continued)**

*Corporate Governance Council Principle 6*

**Respect the Rights of Shareholders**

**Communications**

The Board supports practices that provide effective and clear communications with security holders and allow security holder participation at general meetings. A formal Shareholder Communications Policy has been adopted and therefore the Company complies with Recommendation 6.1 of the Corporate Governance Council.

In addition to electronic communication via the ASX web site, the Company publishes all significant announcements together with all quarterly reports. These documents are available on the company's website.

*Corporate Governance Council Principle 7*

**Recognise and Manage Risk**

**Risk management policy**

The Board has not adopted a formal risk management policy and therefore does not comply with Recommendation 7.1 of the Corporate Governance Council. However, the Board delegates day-to-day management of risk to the Managing Director, Company Secretary and senior executives who is responsible for implementing and maintaining a framework of control and accountability systems to enable risk to be assessed and managed.

**Risk management and the internal control system**

The Managing Director and Company Secretary, with the assistance of senior executives as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

In order to implement risk management strategies, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve its strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management  
The Company manages its activities within budgets and operational and strategic plans.
- Internal controls  
The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.
- Financial reporting  
Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.
- Operations review  
Members of the Board from time to time visit the Company's exploration project areas, reviewing development activities, geological practices, environmental and safety aspects of operations.
- Environment and safety  
The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

**Corporate Governance Statement (continued)**

*Corporate Governance Council Principle 7 (continued)*

**Risk management and the internal control system (continued)**

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

**Risk Reporting**

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

**Managing Director and Chief Financial Officer Written Statement**

The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

*Corporate Governance Council Principle 8*

**Remunerate Fairly and Responsibly**

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Disclosure of the details of the nature and amount of each element of directors, including non-executive directors, and executive's remuneration is included in the financial statements.

No bonuses and/or incentive payments have been paid and are not anticipated.

**Remuneration Committee**

The Board does not have a separate Remuneration Committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives.

The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board ensures that all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

**Corporate Governance Statement (continued)**

*Corporate Governance Council Principle 8 (continued)*

**Distinguish Between Executive and Non-Executive Remuneration**

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors receive salary packages which may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings.