

HYDROMET CORPORATION LIMITED (ABN 71 002 802 646) AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

This statement sets out the key corporate governance policies and procedures adopted by the board throughout the financial year. The board promotes a corporate governance framework that achieves the objectives of protecting and enhancing long-term shareholder value in the manner that is consistent with the Company's responsibility to meet its obligations to all stakeholders.

Due to the size of the Company, resources available and the specialised nature of the Company's business, the Company does not comply with a number of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council. The extent to which the Company has followed each of the Recommendations in the reporting period is listed below.

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 executive and disclose those functions.

The board is responsible for the overall corporate governance of the Group including:

- formulating its strategic direction;
- approving and monitoring capital expenditure;
- setting remuneration, appointing, removing and creating succession policies for directors and senior executives;
- establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems; and
- responsible for approving and monitoring financial and other reporting.

The board has delegated the responsibility for the operation and administration of the Company to the executive chairperson, managing director and executive management. The functions that were delegated included establishing and implementing a risk management system, environmental control and compliance and occupational health and safety issues.

Although no documented charters have been adopted, the board has clearly communicated to the management their responsibilities and the responsibilities reserved for the board.

All executive directors have entered formal employment contracts with the Company. The contracts set out the key terms and conditions of their appointments which include their job description, term of office, duties, rights and responsibilities, and entitlements on termination.

All non-executive directors received no formal contracts upon their appointment.

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives.

The board has delegated to the Audit and Remuneration Committee the responsibility for evaluating the performance of the board, individual directors and senior executives. The Committee reviews annually the effectiveness of the board, individual directors and senior executives.

As part of the induction procedures, all directors and senior executives are informed by the board on their appointment of the following matters:

- corporate expectation;
- term of appointment;
- time commitment envisaged;
- power and duties of directors and senior executives;
- any special duties or arrangements attaching to the position;
- expectations regarding involvement with committee work;
- remuneration, including superannuation, retirement benefit and expenses;
- requirement to disclose directors' and senior executives' interest and any matters which affect their independence;
- fellow directors and senior executives;
- trading policy governing dealings in company's securities;
- induction training and continuing education arrangements;
- board policy on access to independent professional advice;
- indemnity and insurance arrangements;
- confidentiality and rights of access to corporate information;
- a copy of the constitution; and
- organisational chart of management structure.

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Recommendation 1.3 – Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Company complies with Recommendations 1.1, 1.2 and 1.3.

During the financial year, the committee conducted reviews of the performance of the board, the audit and remuneration committee, the directors and the senior executives in accordance with the criteria disclosed and the results were discussed at the board meeting.

The Company's Corporate Governance Statement is available at www.hydro.com.au.

Principle 2 – Structure the Board to Add Value

Recommendation 2.1 – A majority of the board should be independent directors.

The size and composition of the board is determined using the following principles:

- a minimum of five directors, with a broad range of expertise both nationally and internationally;
- a majority of directors have extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of large companies;
- the directors (except for the managing director) are subject to re-election every three years;
- enough directors to serve on the audit and remuneration committee without overburdening the directors or making it difficult for them to fully discharge their responsibilities;
- the roles of chairperson and managing director are not exercised by the same director ; and
- the audit and remuneration committee is comprised of non-executive directors.

Each director, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five per cent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five per cent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another Group member;
- is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another Group member other than as a director of the Company; and
- 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.

* *The board considers, 'material', in this context, to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least ten per cent of the relevant segment's or the director-related business's revenue. The board considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.*

Due to the size and specialised nature of the Company's business, the board comprises two independent non-executive directors, one non-executive directors and three executive directors.

Recommendation 2.2 – The chair should be an independent director.

The chairperson is responsible for leadership of the board and for the efficient organisation and conduct of the board's functioning. Due to the technologically specialised nature of the Company's business, the chairperson is an executive director whom is equipped with highly technical knowledge and experience in the industry that the Company is operating. The chairperson is also a major shareholder of the Company.

The deputy chairperson is an independent non-executive director.

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Recommendation 2.3 – The roles of chair and chief executive officer should not be exercised by the same individual. The Company has appointed a managing director whom is not the chairperson. The responsibilities of the chairperson and the managing director are delineated in their individual contract with the Company.

Recommendation 2.4 – The board should establish a nomination committee.

Due to the size of the Company and resources available, the mechanism for examination of the selection and appointment practices of the Company is delegated to the audit and remuneration committee. The audit and remuneration committee comprises two independent non-executive directors one of whom is appointed the chairperson of the committee.

The audit and remuneration committee oversees the appointment and induction process for directors and committee members and the selection, appointment and succession planning process of the Company's managing director. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary. The committee identifies potential candidates. The board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders. The policy for nomination and appointment of director is available to view at the office of the company.

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Each director has the right of access to all relevant Company information and to the Company's executives. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The audit and remuneration committee review annually the effectiveness of the board, individual directors and senior executives. The other directors have an opportunity to contribute to the review process. The process consists of discussion between individual director, senior executive and the members of the audit and remuneration committee. The performance criteria takes into account each director's and executive's contribution to setting the direction, strategy and financial objectives of the Group and monitoring compliance with regulatory requirements and ethical standards.

The reviews generate recommendations to the board, which then votes on them. The committee's nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the board and the Company. Directors displaying unsatisfactory performance are required to retire.

Due to availability of resources, the finance director is appointed as the company secretary. All directors have access to the company secretary in supporting the effectiveness of the board. The company secretary is accountable to the board, through the chair, on all governance matters.

Recommendation 2.6 – Companies should provide the information indicated in the Guide to reporting on Principle 2.

During the financial year the committee has conducted reviews of the performance of the board, the audit and remuneration committee, the directors and the senior executives in accordance with the criteria disclosed and the results were discussed at the board meeting.

Due to the size of the Company, resources available and the technologically specialised nature of the Company's business, the Company did not meet Corporate Governance Council recommendations in the following areas:

- the board comprises three non-executive directors and three executive directors (Recommendation 2.1);
- an executive director is the chairperson (Recommendation 2.2); and
- the audit and remuneration committee is responsible for the functions of the nomination committee and consists of two independent non-executive directors as members (Recommendation 2.4).

The Company complies with Recommendation 2.3 and 2.5.

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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.

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 Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the ethical standards policy regularly and processes are in place to promote and communicate these policies.

The Group has advised each director, manager and employee that they must comply with the ethical standards policy. The code of conduct is available to be viewed at the office of the Company and it covers the following:

- aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core company values and objectives;
- fulfilling responsibilities to shareholders by delivering shareholder value;
- usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure;
- fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value and safety of goods produced;
- employment practices such as occupational health and safety, employment opportunities, community activities, sponsorships and donations;
- responsibilities to the individual, such as privacy, use of privileged or confidential information and conflict resolution;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets;
- compliance with law; and
- report unethical behaviour.

Written confirmation of compliance with policies in the Code of Conduct Manual is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development, appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue between employees and senior management. A succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Recommendation 3.2 – Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

The Company has established a policy concerning trading in Company's securities by directors, senior executives and other employees. The key elements of the policy are:

- identification of those restricted from trading – directors and senior executives (all employees from site manager upwards) may acquire shares in the Company but are prohibited from dealing in Company shares or exercising options:
 - except between three (3) and thirty (30) days after either the release of the Company's half-year and annual results to the ASX, the annual general meeting or any major announcement; and
 - whilst in possession of price sensitive information not yet released to the market;
- to raise awareness of legal prohibitions including transactions with colleagues and external advisers;
- to raise awareness that the Company prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Company requires annual declarations of compliance with this particular policy;
- to raise awareness that the Company prohibits those restricted from trading in Company shares as described above from entering into transactions such as margin loans that could trigger a trade during a prohibited period;
- to require details to be provided of intended trading in the Company's shares;
- to require details to be provided of the subsequent confirmation of the trade; and
- the identification of processes for unusual circumstances where discretion may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the *Corporations Act 2001* and is available at the office of the Company.

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Recommendation 3.3 – Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Code of conduct and the policy concerning trading in Company's securities are available to be viewed at the office of the Company. The Company has complied with Recommendations 3.1, 3.2 and 3.3.

Principle 4 – Safeguard Integrity in Financial Reporting

Recommendation 4.1 – The board should establish an audit committee

The Company has a formal audit and remuneration committee. The responsibilities of the committee include:

- review of the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with *Australian Accounting Standards* (AASBs) and assessing whether the financial information is adequate for shareholder needs;
- assess corporate risk assessment processes;
- assess whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period, the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board;
- monitoring prompt and appropriate rectification of any deficiencies or breakdowns identified in the fraud control environment;
- monitoring the procedures to ensure compliance with the *Corporations Act 2001* and the ASX Listing Rules and all other regulatory requirements; and
- address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Securities Exchange and financial institutions.

Recommendation 4.2 – Structure of the audit committee

All members of the audit committee must be non-executive directors with a majority being independent. The chairperson may not be the chairperson 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 Group, the remuneration of executives and directors and the composition of the board.

It is recommended that the committee consist of at least 3 members. Due to the limited number of local non-executive directors on the main board, the audit and remuneration committee consists of two members only.

The external auditors, the managing director and director of finance, are invited to audit and remuneration committee meetings at the discretion of the committee.

Recommendation 4.3 – The audit committee should have a formal charter

The audit and remuneration committee has a documented charter, approved by the board, which is available to be viewed at the office of the company.

To ensure the integrity of the Company's financial reports, the managing director and the director of finance are required to declare annually, in writing to the board, that the financial records of the Company for the respective financial year have been properly maintained, the Company's financial reports comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

To oversee the independence and function of the external auditors, the audit and remuneration committee met with the external auditors during the year without management being present.

The audit and remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company and of other executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

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Recommendation 4.4 – Companies should provide the information indicated in the Guide to reporting on Principle 4

The members of the audit and remuneration committee during the year were:

- Mr TR Allen (Chairperson) – Independent Non-Executive; and
- Mr SH Kwan, MPhil - Independent Non-Executive.

The committee met 3 times during the year and the committee members' attendance record is disclosed in the annual report of the Company.

Due to the limited number of local non-executive directors on the main board, the audit and remuneration committee consist of two members only, thus the Company did not meet Corporate Governance Council recommendation 4.2. The Company complies with Recommendation 4.1, 4.3 and 4.4.

The audit and remuneration committee also reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plans, 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;
- 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 and to recommend board approval of these documents prior to announcement of results;
- review the draft annual and half-year financial report and recommend board approval of the financial report;
- review the results and findings of the audit, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made; and
- review rotation of external audit engagement partners.

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

The board has a written Continuous Disclosure Policy which is designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. In summary, the policy operates as follows:

- The managing director and the director of finance, who also acts as the company secretary, are responsible for interpreting the Company's policy and where necessary informing the board;
- The director of finance is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered;
- The Board approves all major announcements to ASX and aims to keep shareholders and investment market informed of all major developments affecting its activities and state of affairs;
- All announcements made to the market and related information, including information provided to analysts or the media during briefings, are placed on the Company's website after they are released to the ASX;

Recommendation 5.2 – Companies should provide the information indicated in the Guide to reporting on Principle 5

The Continuous Disclosure Policy is available to be viewed at the office of the Company. The Company has complied with Recommendations 5.1 and 5.2.

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

Under the Continuous Disclosure Policy, the board provides shareholders with information that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases. The Continuous Disclosure Policy operates on shareholder communication issue as follows:

- the full annual financial report is available to all shareholders;
- the half-year reviewed financial report contains summarised financial information and a review of the operations is lodged with the Australian Securities and Investments Commission, the ASX and then sent to any shareholder who requests it;
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;

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- the full texts of notices of meetings and associated explanatory material are placed on the Company's website; and
- the external auditor attends the annual general meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

The board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the Remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Recommendation 6.2 – Companies should provide the information indicated in the Guide to reporting on Principle 6

The Continuous Disclosure Policy is available to be viewed at the office of the Company. The Company has complied with Recommendations 6.1 and 6.2.

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

The board oversees the establishment, implementation and annual review of the Company's risk management system. The board reviews regularly the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Major risks arise from such matters as action by customers, competitors, government policy changes, environment, occupational health and safety, the impact of exchange rate and product price movements, difficulties in sourcing feed materials, and problems in the development of technical processes.

Quality and integrity of personnel

Written confirmation of compliance with policies in the Code of Conduct Manual is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development, appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue between employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting

The managing director and the director of finance have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Group's operations are subject to licence requirements issued under the *Protection of the Environment Operations Act 1997* ('POEO Act') in relation to its business of processing industrial residues and manufacturing chemical products including treatment processes, immobilisation of by-products, disposal of effluent streams and transportation of materials that are subject to specific approvals from and close scrutiny by the Commonwealth and State Department of Environment and Conservation.

The Group is committed to achieving a high standard of environmental performance. Site managers are responsible for management and monitoring of compliance with the various licences, environmental regulations and specific requirements of site environmental licence conditions under which the facilities operate. There has been no material non-compliance in relation to these licences' requirements during the financial year.

Site managers report environmental performance to the Group managing director on a monthly basis who then reports to the board. Performance against the licence conditions are reported to the managing director, board of directors and various state regulators on an annual basis and were substantially achieved across all operations.

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The Company continuously reviews its existing environmental systems and procedures with the objective of upgrading these via the implementation of an environmental management system, which will integrate with the safety management system and will apply uniformly across the Group.

The *POEO Act* remains under review by the NSW Department of Environment and Conservation (DEC) which will lead to further changes to regulations and group a number of regulations under the one Act.

Hydromet is committed to seeking improvement in environmental management and awareness of its employees to ensure continuing compliance with its obligations.

Occupational health and safety

As with environmental matters, Hydromet is acutely conscious of its health and safety obligations to its workforce who, by the very nature of our industry, are exposed to a range of chemicals and hazardous materials in carrying out their work.

Occupational health and safety issues are governed by the *OHS Regulation 2001* in New South Wales and monitored by Workcover Authority.

Continuing advancement has been made with the integrated safety management system during the financial year. Training of managers and operations personnel is a continuous process to ensure a duty of care philosophy is adopted across the Group.

Ethical standards

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 Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the Ethical Standards policy regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, 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 and the Group are set out in the financial statements.

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 risk 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

Due to the limited number of board members, the Company does not have an internal audit function or a risk management committee. The board members, management and senior executives are responsible for the overall internal control framework, but recognise that no cost-effective internal control system will preclude all errors and irregularities. The management has established and implemented the risk management system for assessing, monitoring and managing operational, financial reporting and compliance risks for the Group. The system is based upon written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel. It comprises the Company’s internal compliance and control systems, including:

- Operating unit control – Operating units confirm compliance with financial controls and procedures;
- Functional speciality reporting – Key areas subject to regular reporting to the board include environmental, legal and occupation health and safety matters; and
- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

In this regard, the Company has an Environmental Policy Statement, Occupational Health and Safety Policy Statement and Quality Policy Statement which set out the standards in accordance with which each director, officer and employee of the Company is expected to act. The requirement to comply with these policies is communicated to all employees. The statements are available at the office of the Company.

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Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to metal price hedging and forward exchange rate management are included in the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance (see below).

Recommendation 7.3 – The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporation 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

The managing director and the director of finance have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Group.

Recommendation 7.4 – Companies should provide the information indicated in the Guide to reporting on Principle 7

The Company has complied with Recommendations 7.1, 7.3 and 7.4.

Due to the size of the Company, its board of directors and resources available, the Company has not established an internal audit function and a risk management committee, thus the Company did not meet Corporate Governance Council recommendation 7.2. The Company is achieving the same outcome by a carefully designed division of duty and a check and balance mechanism within the organisation. The responsibility for risk oversight and risk management rests with the full board and forms part of its regular agenda at its meetings.

Principle 8 – Remunerate Fairly and Responsibly

Recommendation 8.1 – The board should establish a remuneration committee

The audit and remuneration committee has a documented charter, approved by the board, which is available to be viewed at the office of the company. All members must be non-executive directors with a majority being independent. The chairperson may not be the chairperson of the committee. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group, the remuneration of executives and directors and the composition of the board. Please refer to Recommendations 4.2, 4.3 and 4.4 regarding the structure and functions of the audit and remuneration committee.

The audit and remuneration committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the executive officers and directors of the Company and of other Group executives for the Group. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies. The structure of directors' and senior executives' remuneration and their retirement benefits are set out in the Remuneration Report section of this Annual Report.

Recommendation 8.2 – Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

The remuneration package of executive directors and senior executives involve a balance between fixed compensation, long-term incentive and post employment benefit.

Non-executive directors receive a fixed fee not exceeding an aggregated amount approved by shareholders. In addition, they also receive a post employment benefit. Other than share options issued under an Executive Option Scheme approved by the shareholders, non-executive directors receive no performance related remuneration.

Recommendation 8.3 – Companies should provide the information indicated in the Guide to reporting on Principle 8

The members of the audit and remuneration committee are listed in Recommendation 4.4. Their attendance at meetings is listed in the annual report of the Company.

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All directors, including non-executive directors are also entitled to receive a post-employment cash benefit at the date of their retirement as director of the Company. The benefit is calculated as \$15,000 for each year, or pro rata for part of a year, of service as director of the Company commencing from 1 July 2006. This benefit, under all circumstances, will not exceed the payment limit calculated in accordance with S200G(2) of the *Corporations Act 2001*.

The audit and remuneration committee has a documented charter, approved by the board, which is available to be viewed in the office of the Company.

Under the terms of the Trading in General Company Securities by Directors Policy, directors and executives are prohibited from entering into transactions that limit economic risks related to unvested share-based payments and that the Company requires annual declarations of compliance with this particular policy.

The Company has complied with Recommendations 8.1, 8.2 and 8.3.