

# Corporate Governance Statement

The Company’s corporate governance arrangements are largely consistent with the ASX Corporate Governance Principles and Recommendations (“the Principles”).

The departures from the Principles derive from the particular circumstances of the Company. The Company has only two operating businesses, the Endeavor Mine and the Newcastle Shiploader. The Sydney office of the Company maintains budget and operational oversight of these businesses and their associated risks. The Company’s head office has a total complement of less than 12 people so that corporate supervision, reporting, accountability, risk management and prioritisation issues are relatively simple.

This Statement is structured along the same lines as the Principles, with sections dealing in turn with each of the eight corporate governance principles.

The Board is continually reviewing its corporate governance framework in the light of the development of the Company and, as circumstances require or permit, the Board will make appropriate improvements.

## Principle 1: Lay Solid Foundations for Management and Oversight

The Board is responsible for the overall corporate governance of the consolidated entity including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

These include the following:

1. **Leadership of the organisation:** Appointing and, where appropriate, removing the Managing Director, overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees;
2. **SHE processes:** Ensuring there are effective systems in place so that the Company (including its Directors and management) fulfils all responsibilities in respect of the safety and health of employees and meets all requirements with respect to environmental issues;
3. **Strategy formulation:** Working with the Managing Director to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
4. **Overseeing planning activities:** Overseeing the development of the Company’s strategic plan and approving that plan as well as the annual and long-term budgets;
5. **Shareholder liaison:** Ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;
6. **Monitoring, compliance and risk management:** Overseeing the Company’s risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company;
7. **Company finances:** Approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting;

8. **Human resources:** Overseeing the appointment and reviewing the performance of the Chief Financial Officer (CFO) and key operating officers.
9. **Delegation of authority:** Delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

The Board regularly reviews operational and financial performance and reviews and approves detailed budgets and investment opportunities.

There is no formalised induction programme for Directors but all Directors have visited the Company’s operations.

Currently, there is no formal, single source articulation of matters that are delegated to management or reserved to the Board. In consequence, there is no discrete document which could be made publically available on the Company’s website. Financial control ultimately lies with the Board as operations are conducted in accordance with an approved annual budget and material variations, including new capital expenditure, require Board approval.

Directors have individual letters of appointment setting out their respective rights and obligations. However, the corporate expectations of the respective non executive Directors are well understood and are broadly as follows:

### Non executive Directors

|                  |   |
|------------------|---|
| Mr Marks         | Marketing and logistics policy  |
| Mr Willcocks     | Legal and corporate governance oversight  |
| Professor Plimer | Exploration policy (especially Broken Hill aspects) and exploration opportunities           |
| Mr Tejima        | International smelting and marketing  |
| Mr Wall          | Mining strategy and commercial arrangements   |
| Mr Besley        | Safety, health and environment (SHE) exploration execution and investor relations oversight |

The performance of senior executives is continually assessed as part of the line accountability structure. Key executives also have performance criteria against which performance based bonuses are considered. These mechanisms ensure that the performance of senior executives is regularly assessed, at least twice per year, against appropriate measures.

The Company does not have a formal induction programme for senior executives as the Company is relatively simple which means there are no particular barriers to senior executives participating fully and actively in management decision-making. Perspective as to the overall financial position of the Company and its strategies and risks is conveyed through close contact with the Board and a senior management team which normally meets at least fortnightly.

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### Company Secretary and General Counsel

This role is currently performed by Mr Lonergan whose qualifications and experience are set out on page 16. This position is responsible for providing legal advice to the Board and management as required, advising the Board on corporate governance matters, management of the legal and secretarial functions and attending Board meetings and Board Committee meetings.

### Principle 2:

#### Structure the Board to Add Value

Information about the Directors is set out elsewhere in this Report. The Board comprises a blend of skills and experience of a kind appropriate for a company of the nature and size of the Company. These skills cover exploration, mining engineering, development, finance and accounting, marketing and logistics and corporate and legal affairs. The absence of perfect independence of Board members is balanced by the high level of skills and experience of individual directors and the close alignment of the interests of directors (through their shareholdings in the Company) to the success of the Company.

The Board did not complete a self assessment process during the year. The Board has been considering the most appropriate process of self assessment in the light of the current composition of the Board.

During the year, 17 Board meetings were held as set out elsewhere in this Report. The Directors visit the Company's operations and receive briefings on operations from the Managing Director and senior management. The independent Directors maintain close liaison and confer regularly without management.

The CBH Board is presently composed of seven members of whom one, the Managing Director, is executive and six are non-executive. The details relating to their respective skills, experience and committee memberships are set out on pages 15 and 16.

The status, in terms of independence, of the six non-executive Directors is as follows:

- Mr Tejima is associated with Toho Zinc Co. Ltd ("Toho") which is a substantial shareholder in the Company and Mr Tejima is therefore non-independent. Mr Tejima has appointed Mr F Hattori, an employee of Toho, as his alternate and Mr Hattori is likewise considered to be non-independent.
- Mr Marks is non-independent as he is a nominee of Toho and he is otherwise associated with Toho as a corporate advisor.
- Mr Wall is non-independent as between September 2000 and February 2008 he was executive Chairman of the Company.
- Mr Besley is non-independent as between October 1989 and June 2008 he was Managing Director of the Company.
- Mr Willcocks is an independent Director although in November 2007 the then Board (Messrs Wall, Besley and Plimer) determined that Mr Willcocks was no longer an independent Director but this determination was withdrawn on 24 September 2008.
- Professor Plimer is an independent Director.

In November 2007 Mr Alan Davis was appointed as an independent Director. Mr Davis resigned on 11 July 2008. From 19 March 2008 until 11 July 2008, Mr Lonergan, Company Secretary and General Counsel, acted as his alternate.

The Principles recommend that the chair be an independent Director. Mr Wall, the current chair, is not independent given his recent role as executive Chairman. This arrangement has been successful to date in growing the Company from an exploration company to a production company. The Board believes that, in the Company's current circumstances, this arrangement is of more benefit to the Company than the advantages to be gained through an independent chair.

The Board has agreed that any Director may with the prior approval of the current independent Directors (Mr Willcocks and Professor Plimer) take independent advice at the expense of the Company.

Non executive Directors have direct access to senior executives and the Company Secretary.

The term of office of each of the Directors is as follows:

| Director             | Retire by Rotation |
|----------------------|--------------------|
| Mr Robert Besley     | 2008 AGM           |
| Mr Lewis Marks       | 2008 AGM           |
| Professor Ian Plimer | 2010 AGM           |
| Mr Tatsuya Tejima    | 2009 AGM           |
| Mr James Wall        | 2008 AGM           |
| Mr Robert Willcocks  | 2009 AGM           |

There are currently five Board Committees being the Safety, Health and Environment Committee, the Audit Committee, the Remuneration Committee, the Succession and Governance Committee and the Nominations Committee.

The Succession and Governance Committee was established to assist management in succession planning and, in particular, to give guidance in the selection and appointment of a number of senior executives to create a management resource to assist in managing the Company's growth at the time. Members of this Committee are Messrs Marks, Plimer and Willcocks.

During 2007 a Nominations Committee was established to assist the Board on the appointment of, and performance appraisal of, Directors. It has a formal charter as recommended by the Principles. There is otherwise no formalised policy for the nomination and appointment of Directors and there is no procedure for the re-election of incumbent Directors. Members of this Committee are Messrs Wall, Tejima and Plimer. It is chaired by Professor Plimer.

The mandate of the Board's Safety Health and Environment (SHE) Committee is to provide assurance to the Board that satisfactory processes are established and, in fact, operating effectively within the Group to discharge applicable legal obligations and community expectations with respect to health, safety and the environment in the Company's operations. The SHE Committee is chaired by Mr Besley and other members are the Managing Director and Messrs Plimer and Willcocks.

### Principle 3: Promote Ethical and Responsible Decision-making

Directors must disclose to the Board actual or potential conflicts of interest that may, or might reasonably be thought to, exist between the interests of a Director and the interests of any other parties in carrying out the activities of the Company.

A Director affected by a conflict of interest must, in accordance with the Corporations Act, absent himself or herself from discussions and/or voting on matters about which the conflict relates.

The Board delegates to non interested Directors the task of negotiating any arrangement with any Director which may involve remuneration or a financial benefit.

The Board has adopted a Code of Conduct which applies throughout the Company.



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A policy has been adopted which sets out restrictions in trading in the Company's securities by potential insiders, including Directors. Under this Share Trading Policy, the purchase and sale of Company securities by Directors and employees who are potential "insiders" is only permitted during the 28 day period commencing two days after announcements of price sensitive information (including the full and half year financial statements) to the ASX or at any time following confirmation from the Chairman that, in the Chairman's opinion, there are no matters that the Company is dealing with that he would reasonably consider price sensitive not generally available to the market.

### Principle 4: Integrity in Financial Reporting

The Board's Audit Committee consists of Mr Wall (as Chairman pro tem following the resignation of Mr Davis in July 2008), the other independent Directors (Mr Willcocks and Professor Plimer) and any other Director by standing invitation. The membership of the Audit Committee currently does not meet the recommendations of the Principles as the Chairman is not independent and is Chairman of the Board. The basic responsibilities of the Audit Committee are to:

- oversee and appraise the independence, quality, cost effectiveness and extent of the total audit effort;
- perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders; and
- evaluate the adequacy and effectiveness of the Company's and the Group's risk management and financial controls, and other internal control systems and evaluate the operation thereof.

The Company's auditors attend the Committee meetings except when the Committee is considering matters relating to the performance of the auditors. The Committee also meets with Company's auditors without management being present. The Audit Committee met twice during 2007/8.

The Board's Remuneration Committee consists of two of the independent Directors (Messrs Plimer and Willcocks) to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration for Directors and remuneration levels and incentive policies for senior employees. The number of meetings of the Committee are detailed elsewhere in this Report.

### Principle 5: Make timely and balanced Disclosure

The Managing Director has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. There is an internal checking arrangement to ensure that all disclosures are accurate.

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed

on aspects of the Group's operations, the material to be used in the presentation is released to the ASX and posted on the Company's website.

### Principle 6: Respect Rights of Shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor 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 auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. The Company maintains a website ([www.cbhresources.com.au](http://www.cbhresources.com.au)) and is committed to continually improving and updating the site.

### Principle 7: Recognise and Manage Risk

The Board has adopted a detailed risk management policy which complies with the Principles. Each operation is required to maintain its own risk register and manage its risks. The Company also supplements this through an annual detailed insurance review under which external consultants are engaged to identify risk areas in the Company's operations primarily for insurance purposes. The Board does not review the effectiveness of these systems unless there is a demonstrated deficiency and to date the Board has not considered that the establishment of an internal audit function can be justified given the current, relatively simple operational structure of the Company. This may change as additional producing operations come on line.

The Board requires that the Managing Director and the Chief Financial Officer certify in writing to the Board that the Company's financial statements are founded on a sound system of risk management and internal controls in accordance with section 295A of the Corporations Act. The Company's policy on risk management has been posted on the Company's website.

### Principle 8: Remunerate fairly and responsibly

The Company is committed to remunerating its Directors and employees in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. A comprehensive discussion of remuneration matters is set out in the Director's Report under "Remuneration Report" on page XX. Non executive Director remuneration is clearly differently structured from that of the Managing Director and executives.

The Board is advised by a Remuneration Committee which consists of two rather than the recommended three independent Directors. The Committee has access to expert external advice. Details of Remuneration Committee meetings are set out on page XX.