

# Corporate Governance

## Principles of Corporate Governance

**FarmWorks Australia Limited is committed to Corporate Governance Principles as outlined.**

The Australian Securities Exchange Ltd (ASX) has published 10 essential corporate governance principles and best practice recommendations. Under ASX listing rules, listed companies are required to provide a statement in their annual reports disclosing the extent to which they have followed these best practice guidelines. In the following, the ASX principles and guidelines are listed together with the company's response.

<b>Principle No.</b>	<b>ASX Principle</b>	<b>Company's Position</b>
1.0	Lay Solid Foundations for management and oversight.	The Board has clear policies and processes to delineate the respective functions, roles and responsibilities of the Board and Management.
	1.1 Establish the functions reserved to the Board and those delegated to management.	At the time of appointment of Board members and senior management personnel, the various delegations, functions and duties are clearly defined. An ongoing regular review process ensures each participant operates within the defined parameters.
	1.2 Processes for evaluation of performance of senior executives.	Senior executive performance is the subject of assessment by regular evaluation by the Board based on key performance indicators and peer review. Independent directors undertake separate independent review processes. The Board receives monthly reports of performance and assessment. Annual Appointment Reviews conducted by the Board.
	1.3 Reporting Results	The Company does not have in place formal reporting processes as the nature, size and scope of the business currently justifies an informal process. The Board will continue to consider whether it is appropriate to formalise such policies and incorporate formal reporting processes.
2.0	Structure the Board to add value based on composition, size and commitment to discharge responsibilities and duties.	The Board has undertaken a number of structural changes during the year consistent with the change in business operations to improve performance of the business and management, and to meet the future demands and changes in direction as they arise.
	2.1 Majority of the Board should be	The current Board has five members of which two are independent members. The current

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	independent.	<p>Board structure ensures that the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties.</p> <p>The Board is comprised of Glenn Tetley, Wayne Kernaghan, Larry Shutes, Kevin Dart and Ross Withers. Glenn Tetley and Wayne Kernaghan are regarded as independent. Larry Shutes is not regarded as independent at present but will become independent as of February 2011, due to his former employment with the Company until February 2008.</p> <p>The Board has the ability to appoint further directors and any who may be appointed in the future will be independent.</p>
	2.2 Independent Chair.	<p>The Chairman, Glenn Tetley is considered independent.</p>
	2.3 Chair and CEO not the same	<p>The Chairman is not the Chief Executive Officer.</p>
	2.4 Establish a Nomination Committee	<p>The functions of a Nomination Committee have been undertaken by the Board due to the size of the Company and the demands of business operations. A separate Nomination Committee will be established in accordance with the guidelines as the need arises.</p>
	2.5 Board, committee and director evaluation process	<p>The Company does not have in place formal evaluation measures and processes as, to date, the nature, size and scope of the business justified an informal process. The Board has taken steps to introduce performance evaluation measures and schedule reviews. New director induction is undertaken by nominated independent directors with the assistance of officers and external independent advisers. Directors have access to all records and company information.</p>
	2.6 Reporting Results	<p>Glenn Tetley B.Ec is Chairman and Non-Executive Director. Mr Tetley has spent the last 33 years engaged in various facets of the Australian financial markets.</p> <p>Larry Shutes B.Comm, ACA is a Non-Executive Director. Mr Shutes is an experienced Director/Chief Financial Officer with specializations in company structuring, finance, accounting and Corporate Governance.</p> <p>Wayne Kernaghan B.Bus, ACA , FAICD , ACIS is a Non-Executive Director. Mr Kernaghan has more than 20 years experience in various facets of the mining industry. Wayne brings a</p>

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3.0	Promote ethical and responsible decision making.	<p data-bbox="790 268 1361 336">wealth of business and administrative experience to the Board.</p> <p data-bbox="790 380 1361 616">Kevin Dart is a Non-Executive Director. Mr Dart has been on the Board of public companies for over 20 years. He has extensive experience in capital raisings, new listings, mergers and acquisitions and cross border transactions in the United States, United Kingdom, Hong Kong and Japan.</p> <p data-bbox="790 660 1361 851">Ross Withers, BBus, CPA is an Executive Director. Mr Withers has over 25 years accounting experience having occupied senior roles in both private and ASX listed companies including Anitech (a division of ANI Ltd), and Wesfarmers Landmark Ltd.</p> <p data-bbox="790 896 1361 1288">The skills and experience, independent status, period of office of each member of the Board will be reported in the Annual Report. The Board has adopted a procedure of seeking independent advice at relevant times to assist the Board to assess proposals and make appropriate decisions. The selected advisors are specialised in relevant areas and have advised the Board at regular intervals as the need arises. The more common areas of advice include legal, taxation, corporate, insurance and finance.</p> <p data-bbox="790 1299 1361 1523">The Company operates using clear standards of ethical behaviour for all members of the Company. Regular review is undertaken to maintain and observe the standards. The Company's Ethical and Securities Trading policies are published on the Company website and are regularly reviewed.</p>
	3.1 Establish a code of conduct to guide the Directors, key executives and employees as to:	<p data-bbox="790 1534 1361 1859">The Company satisfies these requirements through an adopted policy governed and directed by members of the Board and senior management. The Company is undertaking a review of these policies. The Company intends to incorporate the code of conduct in the management process and to encourage, integrate and maintain such practices in all levels of operation including stakeholder and public contact.</p>
	3.1.1 practices necessary to maintain confidence in the Company's integrity.	<p data-bbox="790 1870 1361 2031">The practices reflect a commitment to health, safety, environmental and corporate responsibility to foster prosperous commercial performance and maximise benefit to stakeholders.</p>

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	3.1.2	practices necessary to meet legal obligations and the expectations of shareholders.	The Board and management conduct regular legal, technical and operational reviews to ensure the company meets its legal obligations in the relevant jurisdiction. The board and management review the company business strategy to gauge its performance in meeting stakeholder expectations and disclosure objectives.
	3.1.3	the responsibility and accountability of individuals for reporting or investigating reports of unethical practices.	All stakeholders are responsible to report unethical practices. Investigation of reports is conducted at first instance by the CEO.
	3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	The Company has a formal policy which sets out time restrictions on share dealings. The Company policy is that of the Corporations Law and ASX Listing Rules which state that dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. Directors and employees have 45 day windows to trade shares beginning one (1) day after release to the ASX of half year and full year results. Otherwise, prior to any director (or their associates) trading in the Company's securities approval from a non-executive director is required. For senior management (and their associates) and employees, approval is required from the Company Secretary.
	3.3	Reporting Results	The Company's compliance with the Principle is detailed above.
	4.0	Safeguard integrity in financial reporting.	The Board regularly undertakes the review of the Company's financial position to ensure the truthful and factual presentation of the Company's financial position as presented in financial statements and other records. The Company auditor's advice is regularly sought to ensure such objectives are maintained according to the relevant accounting standards.
	4.1	Establish an Audit Committee	The functions of an Audit Committee have been undertaken by the Board due to the size of the Company and the demands of business operations. A separate Audit Committee will be established in accordance with the guidelines as need arises.
	4.2	Appropriate structure of Audit Committee	The Board considers that any future Audit Committee would consist of a minimum of two independent Directors.

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	4.3 Committee Charter	The Board has established policies that satisfy the relevant requirements given the size, nature and scope of the current Company operations. These policies are published on the Company's website.
	4.4 Reporting Results	The names and qualifications of previous Audit Committee members and the meeting details will be reported in the Annual Report.
5.0	Make timely and balanced disclosure.	The Board, on an ongoing basis and formally at each Directors meeting, considers the Company's disclosure obligations and regards those obligations and the dissemination to the market in a timely, balanced and factual manner of paramount importance.
	5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance.	There are currently no written policies to evidence the stated processes of consideration and the Board relies upon the integrity and independence of its members to make such decisions. The Board is currently formalising this process. The Board is able to meet regularly to satisfy the Company's obligations for disclosure of material matters in accordance with the ASX Listing Rules.
	5.2 Reporting Results	The Company's compliance with the Principle is detailed above.
6.0	Respect the rights of Shareholders	
	6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Information is communicated to shareholders through: <ul style="list-style-type: none"> <li>- the distribution of the annual report to all shareholders,</li> <li>- the half yearly reports released to the ASX,</li> <li>- ASX releases in accordance with continuous disclosure obligations, and</li> <li>- information publicly available on the Company's website.</li> </ul>
	6.2 Reporting Results	The Company encourages stakeholder contact and provides information through improved technology where available. The external auditor attends Shareholder Meetings to answer shareholder questions where appropriate.
7.0	Recognise and manage risk	The Board, in conjunction with senior management and independent advisers, undertakes regular risk assessments for existing and future operations, undertakings, systems and processes to maintain acceptable

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		risk levels.
	7.1 Establish policies on risk oversight and management.	Appropriate risk policies are currently subject to Board and management assessment with a view to formalisation. Risk oversight and management issues and policies are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). The Board considers it appropriate at this time, considering the current nature and scope of operations, to formalise such policies and incorporate review processes. It is intended that such policies would be notified to the Company stakeholders in an appropriate fashion.
	7.2 Design and implement risk management and internal control system for material business risks and report on risk management. Board responsibility to report management performance in the current reporting management of business risk.	The Board receives regular reports from management based on a structured review and system. The review system acts as a control system. The formalisation of the risk management policies will involve an appropriate internal control system. The Board intends to formalise that part of its system as part of formalising its risk management and internal control policies and management of the systems. The Board will decide if the size, nature and scope of operations will require the establishment of a Risk Management Committee or whether that function can be adequately undertaken by the Board.
	7.3 Board disclosure of receipt of assurance from CEO/CFO that the declaration under Section 295A of the Corporations Act is based upon a sound system of risk management and internal control which is operating effectively for financial reporting risks.	The assurance has been received by the Board.
	7.4 Reporting Results	The Company's compliance with the Principle is detailed above.
8.0	Remunerate fairly and responsibly	
	8.1 The Board should establish a remuneration committee.	The functions of a Remuneration Committee have been undertaken by the Board due to the size of the Company and the demands of business operations. A separate Remuneration Committee will be established in accordance

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		with the guidelines as need arises. The Board seeks independent advice of current trends and appropriate remuneration structures based on the role to be filled and the size, nature and scope of operations of the Company where necessary.
8.2	Non-Executive Directors remuneration should be distinguished from Executive Directors and Senior Management.	This is the case in respect to relevant remuneration packages.
8.3	Reporting Results	The Company's compliance with the Principle is detailed above.