

## CORPORATE GOVERNANCE STATEMENT

### *Introduction*

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations ("**ASX Guidelines**"), Sylvania Resources Ltd ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.sylvaniaresources.com](http://www.sylvaniaresources.com). In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

### *Explanations for departures from best practice recommendations*

During the Company's 2004/2005 financial year ("**Reporting Period**"), the Company has complied with each of the Ten Essential Corporate Governance Principles<sup>1</sup> and the corresponding Best Practice Recommendations<sup>2</sup> as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**"), other than in relation to the matters specified in the table below.

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<sup>1</sup> A copy of the Ten Essential Corporate Governance Principles is set out on the Company's website under the Section entitled "Corporate Governance".

<sup>2</sup> A copy of the Best Practice Recommendations is set out on the Company's website under the section entitled "Corporate Governance".

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Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
1	1.1A	Formalisation and disclosure of the functions reserved for the Board and those delegated to management occurred on 23 September 2004.	As from 23 September 2004 the Company achieved compliance. Prior to this time the functions were delegated as now disclosed but without formalisation and disclosure.
2	2.1	Two of the five directors are considered to be independent, for the reasons provided in the section headed "Identification of Independent Directors".	<p>The Board considers that its current composition is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business and for securing appropriate strategic growth.</p> <p>Significant changes were made to the Board during the financial year including the appointment of Mr Terry McConnachie as Chief Operations Officer, Mr Ed Nealon to the role of Executive Chair and Ms Melissa Sturgess a Non-Executive Director.</p> <p>The Board takes the responsibility of best practice of corporate governance seriously, and intends to reconsider its composition as the Company's operations grow however it considers that each of the non-independent directors possess skills and experience suitable for advancing the Company's strategic direction.</p>
2	2.2	The chairman does not satisfy the test of independence as set out in Box 2.1 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations Independence Test (" <b>Independence Test</b> ").	While the Board recognises the importance of independence in decision making, it does not comply with best practice recommendation 2.2 as Mr Nealon, the current Chairman does not satisfy paragraph 3 of the Independence Test. The Board believes that Mr Nealon, as Executive Chairman, is the most appropriate person for the position of chairman as this position will best allow him to pursue strategic opportunities and relationships for the consolidated entity.
2	2.4	From 23 September 2004, the full Board will act as the nomination committee, in accordance with a nomination committee charter.	The role of the nomination committee is carried out by the full Board in accordance with the Nomination Committee Charter. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. Prior to 23 September 2004, the full Board reviewed and considered the selection and appointment of directors on an as required basis.
3	3.1	A Code of Conduct was formalised and adopted by the Company on 23 September 2004.	Prior to 23 September 2004 the Board considers that its business practices, as led by the example of Board and key executives, were the equivalent of a code of conduct. These practices are now reflected in the Code of Conduct adopted by the Company on 23 September 2004.

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3	3.2	The Company adopted a written securities trading policy on 23 September 2004.	Although prior to 23 September 2004 there was no written policy, there was an understanding as to when it was appropriate for trading in securities to occur. This understanding has been formulated into the Company's written securities trading policy.
4	4.2, 4.3, 4.4	During the reporting period there was no separate audit committee.	The Company's financial statements are prepared by the Company Secretary and reviewed in detail by the full Board. The Board considers that it has an adequate balance of independent representation and financial experience to operate the audit committee in this manner.
5	5.1	Until 23 September 2004 there were no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for the compliance.	Informal procedures were in place prior to 23 September 2004 which have been formulated into the written policies and procedures.
6	6.1	The Company's shareholder communication strategy was designed and disclosed in a formal way on 23 September 2004.	The Company has a positive strategy to communicate with shareholders, identify the expectations of shareholders and actively promote shareholder involvement in the Company. These strategies have now been documented and disclosed on 23 September 2004.
7	7.1	The Company did not have a formal framework of risk oversight and management policy and internal compliance and control system until 23 September 2004.	The Company has developed a framework for risk management, which the Company intends to enhance as the Company's operations grow.
8	8.1	During the Reporting Period there was no formal performance evaluation of the Board, its committees and individual directors.	The Board has undergone continuous performance evaluation, which has resulted in significant changes to the composition of the Board in the last two financial years. The Board will consider whether such procedures should be more formalised in its 2005/6 financial year.

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9	9.2	The Company does not have a separate remuneration committee having adopted a formal remuneration policy on 23 September 2004.	<p>The Board considers that due to its small size, all members should be involved in determining remuneration levels. Accordingly, time is set aside at one Board meeting each year specifically to address the matters usually considered by a remuneration committee and function in accordance with the Remuneration Committee Charter. Executive directors absent themselves during discussion of their remuneration.</p> <p>All arrangements for the provision of professional services by directors will be formalised into written service contracts during the forthcoming financial year. To the extent that additional executives are appointed in the future and the scope of the Company's activities expands the Company will reconsider whether a change in the structure of executive remuneration is appropriate.</p>
10	10.1	A code of conduct was adopted on 23 September 2004.	Although until 23 September 2004 there was no code of conduct documented or disclosed, the Board considered its business practices, as led by the example of the Board and key executives, were the equivalent of a code of conduct. The Company has now documented these practices and principles into a written code of conduct.

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### *Nomination Committee*

There is no formal nomination committee. However, the full Board carries out responsibilities similar to that which would be conducted by a nomination committee. In carrying out these actions the full Board is guided by the Nomination Committee Charter as set out on its website.

Names of Directors and their attendance at meetings at which nomination matters were discussed

Name	No. of relevant meetings held	No. of relevant meetings attended
Mr Grant Button	3	3
Mr Kevin Huntly	3	3
Dr Evan Kirby	3	3
Mr Adrian Paul	3	3
Mr Edward Nealon	1	1
Ms Melissa Sturgess	1	1
Mr Terry McConnachie	0	0

### *Audit Committee*

There is no formal audit committee. However, the full Board carries out a review similar to that which would be conducted by an audit committee. In carrying out these actions the full Board is guided by the Audit Review Guidelines as set out on its website. The Board did not meet formally as the audit committee during the reporting period, but discussed any relevant matters as-required during regular meetings of the Board.

Names of Directors and their attendance at meetings at which audit matters were discussed

Name	No of relevant meetings held	No of meetings relevant attended
Mr Grant Button	2	2
Mr Kevin Huntly	2	2
Dr Evan Kirby	2	2
Mr Adrian Paul	2	2
Mr Edward Nealon	1	1
Ms Melissa Sturgess	1	1
Mr Terry McConnachie	0	0

### *Remuneration Committee*

The Company's remuneration policies are discussed in depth in the Remuneration report section of the Directors' Report.

From 23 September 2004 the full Board has carried out the function of the remuneration committee in accordance with a Remuneration Committee Charter.

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Names of Directors and their attendance at meetings at which remuneration matters were discussed

Name	No of relevant meetings held	No of meetings relevant attended
Mr Grant Button	1	1
Mr Kevin Huntly	1	1
Dr Evan Kirby	1	1
Mr Adrian Paul	1	1
Mr Edward Nealon	0	0
Ms Melissa Sturgess	0	0
Mr Terry McConnachie	0	0

### *Other*

#### *Skills, experience, expertise and term of office of each director*

A profile of each director containing the applicable information is set out in the Directors' Report.

#### *Identification of independent directors*

The independent directors of the Company are Kevin Huntly and Evan Kirby.

Merris Huntly and Kirby are considered independent directors in accordance with the criteria of independence as set out in Box 2.1 of the commentary that supplements the Principles of Good Corporate Governance and Best Practice Recommendations as published by the ASX Corporate Governance Council ("**Independence Criteria**").

#### *Statement concerning availability of independent professional advice*

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining advice.

#### *Confirmation whether performance evaluation of the Board and its members have taken place and how conducted*

During the reporting period the composition and functioning of the Board as a whole was discussed from time to time at regular meetings of the Board. The Board considers that more formal procedure is not warranted at present in view of the small size, and overlap of many of the key functions, of the Board and management.

#### *Existence and terms of any schemes for retirement benefits for non-executive directors*

There are no retirement benefit schemes for non-executive directors.