

Corporate Governance Statement

Prime Financial Group Ltd (formerly AVFM Limited) (“The Company”) is committed to implementing the highest standards of corporate governance, on a pragmatic basis, whereby shareholders’ interests are paramount. The Company has reviewed the ASX Corporate Governance Council’s “*Corporate Governance Principles and Recommendations 2nd edition*” (“ASX Recommendations”) and has implemented practices largely consistent with those ASX guidelines, with due regard to the current size and nature of the Company’s operations and also the practical economic interests of its shareholders. Variations to the ASX Recommendations are summarised at the end of this Statement.

The Company implemented an initial governance policy/code of conduct on 1 December 2004, in anticipation of the re-listing of the Company, which occurred on 7 December 2004. Following the merger between the Company and Prime Financial Group Limited (now Prime Development Fund Pty Ltd), the Board revised that initial policy to reflect the Company’s new scope of operations and increased executive and management personnel. Due to recent changes to the Company’s business operations and structures, and a reshaping of the Company’s board, the Company’s corporate governance policy has been further reviewed.

1. CORPORATE GOVERNANCE PRINCIPLES

For ease of reference, the eight essential corporate governance principles as set out in the ASX Recommendations are embodied in the items listed in the following table. The previous version of the ASX Recommendations contained ten essential corporate governance principles, however two of those principles have been amalgamated into the eight current principles.

Essential Corporate Governance Principle	Items in which it is embodied
1. Lay solid foundation for management and oversight	2.1; 2.5; 3.2; 4.1; 4.2 and 4.3
2. Structure the board to add value	2.2 and 3.3
3. Promote ethical and responsible decision-making	2.4; 2.5 and 7
4. Safeguard integrity in financial reporting	3.1; 4.2 and 4.3
5. Make timely and balanced disclosure	4.3; 5.1; 5.2 and 7
6. Respect the rights of shareholders	2.4; 5.2; 6 and 7
7. Recognise and manage risk	2.2; 2.4; 2.5; 3.1; 4.2; 4.3 and 6
8. Remunerate fairly and responsibly	3.2

2. BOARD OF DIRECTORS

2.1 Role of the Board

The Board’s role is to govern the Company by setting its strategic direction and providing oversight to the management. In governing the Company, the Directors have committed to act in the best interests of the Company as a whole and its shareholders.

The main tasks of the Board are to provide strategic direction and to chart and oversee the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the operations of the Company.

2.2 Composition of the Board

As at 1 October 2008, the Board comprised four directors, Mr Stuart James (Chairman), Mr Simon Madder (Managing Director/CEO), Mr Stephen Bennett and Mr Peter Madder.

The Board has the effective composition, size and commitment to adequately discharge its responsibilities and duties.

The Company acknowledges the importance of Non-Executive Directors, as reflected by the composition of its board. At this time, three of four directors are Non-Executive directors, including the Non-Executive Chairman.

As the Company has a diverse number and range of investments, the Company has adopted the following definition of “independent” which substitutes the concept of a “group company” for that of a “material investee”. This definition takes a practical approach that in many ways exceeds best practice, but is more reflective of the Company’s structure and operations.

For the purpose of the definition of “Independent Director”, a “material investee” is an investee company that contributes more than 5% of the Company’s earnings. Where a company is an investee of an investee of the Company, that company will only be a material investee where it satisfies the definition of “material investee” in its own right.

An Independent Director:

- a. is a Non-Executive Director;
- b. is not a substantial shareholder of the Company (i.e. is not currently a holder of more than 5% of the existing issued capital of the Company) or an officer of, or otherwise associated directly with, a “substantial” shareholder of the Company;
- c. has not been employed in an executive capacity by the Company or a material investee within the last 3 years;
- d. has not been a principal or employee of a material professional adviser or a material consultant to the company or a material investee, or an employee that is materially associated with the service provided, within the last 3 years;
- e. is not a material supplier or customer of the Company or a material investee, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- f. has no material contractual relationship with the Company or a material investee other than as a Director of the Company or a material investee;
- g. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company; and
- h. 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.

In accordance with the above definition, the Company at present has two Directors (including the Chairman) who may be viewed as independent. The Company and its Directors will review its board composition, with due regard to its (evolving) activities, the ASX guidelines and economic efficacy, over the next two years, as deemed appropriate.

2.3 Directors

Mr Stuart James (Chairman) is considered Independent.

Mr Stephen Bennett is the Managing Partner of Wynn & Bennett Chartered Accountants (Wynn & Bennett), in which a subsidiary of the Company holds a 50% interest. Wynn & Bennett does not in its own right satisfy the definition of material investee. On this basis, Mr Bennett is considered Independent.

Mr Simon Madder is the Chief Executive Officer and Managing Director of the Company. Mr Madder is also the Managing Director of Prime Development Fund Pty Ltd (PDF) (Formerly Prime Financial Group Ltd) and is a co-founder (together with Mr Peter Madder) of that company which is a wholly owned subsidiary. Mr Madder is not classified as Independent.

Mr Peter Madder is the Chairman and co-founder of PDF. PDF is a wholly owned subsidiary and material investee of the Company. Mr Peter Madder provides contracted services to the Company however he is not an executive of the Company and is considered to be a Non-Executive Director. Due to Mr Madder's contracted services however, Mr Madder is not classified as Independent.

2.4 Responsibilities of the Board

In general, the Board is responsible for providing entrepreneurial leadership, strategic direction, risk management guidance and overseeing the management and operations of the Company.

The principal functions and responsibilities of the Board include:

Leadership – overseeing the operations of the Company and establishing policies that reflect the values of the Company and guide the conduct of management.

Strategy – to set and review the corporate strategy and strategic goals with guidance from the Chief Executive Officer.

Planning – overseeing the development of the Company's strategic plan and approving that plan as well as approving the annual and long term budgets.

Shareholders – ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

Governance – developing, monitoring and reviewing the Company's corporate governance policies and compliance with those policies.

Compliance and Risk Management – reviewing and ratifying the Company's risk management, compliance, control and accountability systems.

Finances – determining the risk-return profile of the Company and its investments, and setting the key performance indicators for its Investment Managers and investee companies.

Personnel – appointing, and, where appropriate, removing the Chief Executive Officer and Chief Financial Officer/Secretary of the Company.

Resources – monitoring the performance of the management team and ensuring that they have sufficient human and financial resources available.

Capital Management – approving and monitoring major capital expenditure, capital management and major acquisitions and divestitures.

Authorisation and Delegation – delegating appropriate powers to the Chief Executive Officer/Managing Director and the Chief Financial Officer from time to time 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.

2.5 Board Policies

2.5.1 Conflicts of Interest

To ensure the proper and transparent operation of the Company, Directors must:

- a. disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- b. if requested by the Board (in writing), within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling or is unable (due to other commercial factors) or has not been requested by the Board to remove a conflict of interest then the Director must, in accordance with the *Corporations Act*, absent themselves from discussion and/or voting on matters about which the conflict relates.

2.5.2 Commitment to Board Duties

Each member of the Board must ensure that they commit to spending sufficient time to enable them to carry out their duties as a Director of the Company.

2.5.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and managers of the Company must keep confidential all information received in the course of their involvement with the Company, including the exercise of their duties. They must not disclose any non-public information, except where disclosure is authorised or legally mandated.

2.5.4 Education and Induction

New directors undergo an induction process in which they are given a full briefing on the Company, including:

- a. details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- b. formal policies on Director appointment as well as conduct and contribution expectations;
- c. details of all relevant legal requirements;
- d. a copy of this Statement;
- e. guidelines on how the Board processes function;
- f. details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- g. background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- h. an analysis of the Company;
- i. a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- j. a copy of the Constitution of the Company.

The Chairman will be responsible for arranging the induction briefing.

In addition, in order to achieve “continuing improvement” of Board performance, all Directors will be encouraged to undergo continual professional development as required/deemed appropriate.

2.5.5 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company’s expense, up to specified limits, to assist them to carry out their responsibilities. The current specified limit is not more than \$5,000 in relation to a discrete (separate) matter and any Director cannot accrue more than \$10,000 of fees, without prior authorisation from the Chairman.

One or more Directors can seek professional advice from the same adviser. The Board may seek professional advice from an adviser that has been engaged by an individual Director.

The rights of and limitations on Directors to seek independent professional advice is intended to allow Directors to properly carry out their duties as directors and is separate from the ability of management to obtain professional advice or services in relation to the operations of the Company.

2.5.6 Related Party Transactions

Proposed related party transactions include any financial transaction between a Director and the Company, will be reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. If shareholder approval for the related party transaction is required, then the Board must consider all the costs and benefits of the proposed related party transaction before deciding whether to refer the matter to the shareholders or to reject the proposed related party transaction.

2.5.7 Performance Review/Evaluation

The Board will undertake a periodic performance evaluation based upon appropriate commercial criteria, having due regard to the cost/benefit thereof. The Board's performance shall be measured against both "qualitative" and "quantitative" indicators (subject to basic commercial principles). The objective of this evaluation is to adhere to "best practice corporate governance" for the Company.

3. BOARD COMMITTEES

3.1 Audit Committee

The Board has established an Audit Committee. The Committee's Chairman is Mr Bennett. The other members of the Committee are Mr Peter Madder and Mr James.

Below is a summary of the designated role, composition and responsibilities of the Audit Committee.

3.1.1 Role

The Audit Committee is responsible for reviewing the **integrity** of the Company's financial reporting, overseeing the **independence** of the external auditors, and supervising the risk management of the Company.

3.1.2 Composition

The Audit Committee consists of three members (refer above) of whom all are directors of the company. Two of the three audit committee members are Independent Directors, being Mr Bennett and Mr James. Mr Madder is a Non-Executive Director. The Committee's Chairman is Mr Bennett.

3.1.3 Responsibilities

The Audit Committee is responsible for reviewing the audited annual and half-yearly financial statements and any reports that accompany published financial statements, prior to submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor each year, reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for guiding the Board in developing and monitoring policies on the Company's risk oversight and management.

3.2 Remuneration Committee

The Board has established a Remuneration Committee. The Committee Chairman is Mr James. The other members of the committee include Mr Simon Madder and Mr Bennett.

3.2.1 Role

The primary role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities to establish appropriate remuneration levels and incentive policies for Directors and senior management.

3.2.2 Composition

The Remuneration Committee consists of three members (refer above) of whom all are directors of the company. The Committee's Chairman is Mr James. The other members of the Committee are Mr Simon Madder and Mr Bennett.

3.2.3 Responsibilities

The responsibilities of the Remuneration Committee include:

- a. setting policies for senior executive director/officers' remuneration;
- b. setting the terms and conditions of employment for the Managing Director/CEO;
- c. reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements;

- d. reviewing the remuneration of both Executive and Non-Executive Directors;
- e. making recommendations to the Board on any proposed changes and undertaking annual performance reviews.

3.2.4 Senior Executive Remuneration Policy

The Company will remunerate its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy, and subject to the determination of the Remuneration Committee, the remuneration of senior executive may be comprised of the following:

- a. fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- b. a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- c. participation in any Executive Option or Share Plan which the Company may establish; and
- d. superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company's objective is to align the interests of senior executives with those of shareholders and increase performance of the Company.

In evaluating the performance of senior executives, regard is had to Key Performance Indicators that are established in advance by the Board and are reviewed from time to time to ensure their continuing relevance to the Company.

The philosophy of deploying this remuneration structure/strategy is to provide a clear intention to improve the Company's fiscal performance, and thereby increase underlying shareholder value.

The Board may use its discretion to pay bonuses, use share options and provide other incentive payments. This discretion shall be exercised on the following basis:

- a. retentions and motivation of key executives;
- b. attraction of quality management to the Company;
- c. performance incentives which allow executives to share the rewards of the success of the Company.

3.2.5 Equity Based Executive Remuneration

Where an equity based executive remuneration package is proposed by the Board or the Remuneration Committee, it will be in accordance with limits and plans approved by shareholders.

3.2.6 Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees within the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not, and will not, receive performance based bonuses and shall not participate in equity-based remuneration schemes of the Company which the Company may elect to establish in the future. Non-Executive Directors are entitled to statutory superannuation, in accordance with the law.

3.2.7 Current Non-Executive Directors' Remuneration

The aggregate maximum amount of remuneration paid to Non-Executive Directors must not exceed the limits prescribed by the Constitution of the Company.

3.3 Nomination Committee

The Nomination Committee currently comprises Mr James (Chairman), Mr Peter Madder and Mr Simon Madder (Managing Director/CEO). The Chairman of the committee is a non-executive director and is classified as Independent.

3.3.1 Role

The role of the Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

3.3.2 Responsibilities

The responsibilities of the Nomination Committee include devising criteria for Board membership, reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

3.3.3 Indicative Criteria for selection of Directors

Any other directors shall be appointed, based on the specific governance skills required by the Company after detailed evaluation of the cost/benefit to the Company, and hence its shareholders. The Company acknowledges that it will at all times require at least two Directors with (direct and current) experience in the financial services industry, having due regard to the Company's market and its current and intended activities. In addition, Directors should have the relevant blend of personal experience in:

- a. accounting and financial management;
- b. legal skills; and
- c. high level demonstrable business experience and acumen.

3.4 Due Diligence Committees

3.4.1 Role

The Role of Due Diligence Committees is to conduct due diligence on any activities of the Company that requires or warrants due diligence investigations. These activities include capital raising and acquisitions.

A Due Diligence Committee will always be required where the Company issues a Prospectus or any other similar disclosure document. Due Diligence Committees are also required for all material acquisitions; however they are optional for non-material acquisitions. A material acquisition is any investment or acquisition which is valued in excess of 5% of the Company's market capitalisation.

Due Diligence Committees must report their findings to the Board.

3.4.2 Formation and Composition

Due Diligence Committees will be formed as and when required. The Board may have more than one different Due Diligence Committee in operation at any time.

The composition of each Due Diligence Committee will be nominated by the Nomination Committee and ratified by the Board.

4. COMPANY MANAGEMENT

4.1 Role of Management Team

It is the role of the management team to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

4.2 Role of the Managing Director/Chief Executive Officer

In general, the Managing Director/CEO is responsible for providing leadership, strategic direction and implementation, tactical direction, risk management guidance and the management and operations of the Company.

The principal functions and responsibilities of the Managing Director/CEO include:

Strategy – to implement the Board’s strategic direction and to guide the Board on strategy development;

Business Planning and Execution – to prepare the business plans for the Company and execute the business plans that have been ratified by the Board;

Business Development – to supervise and assist the management team in developing the business of the Company and its investees;

Operational Oversight – to oversee the operations of the Company;

Capital Raising – to co-ordinate the Company’s capital raising activities;

Acquisitions – to guide the growth of the Company through strategic acquisitions;

Financial Reporting – to state (together with the CFO) to the Board that the Company’s financial reports present a true and fair view and are in accordance with relevant accounting standards;

Risk Management – to report (together with the CFO) to the Board on the Company’s risk management and internal compliance and control systems, and to further develop risk management strategies;

Liaison with Investment Community – to be the Company’s primary liaison with stockbrokers and investment analysts and to raise the profile of the Company within the investment community;

Representation on Investee Boards – to be a representative of the Company on the Boards of the Company’s investees, specifically with the objective of encouraging integration within the group and developing combined product and service offerings throughout the group. The CEO may delegate this role as he deems appropriate.

4.3 Role of the Chief Financial Officer

In general, the Chief Financial Officer is responsible for the Company’s financial reporting, company secretarial functions and the Company’s compliance with the ASX listing rules.

The principal functions and responsibilities of the Chief Financial Officer include:

Reporting – financial reporting for the Company and its investees.

Controls – development and monitoring of financial and compliance controls for the Company and its investees.

Financial Reporting – to state (together with the CEO) to the Board that the Company’s financial reports present a true and fair view and are in accordance with relevant accounting standards;

Capital Raising – to assist the CEO with the Company’s capital raising activities;

Liaison with Investment Community – to be the Company’s secondary liaison with the investment community, particularly in the area of financial disclosure;

Regulatory Compliance – ensuring the Company complies with its obligations to all relevant regulators, and in particular ASIC and the ASX;

Risk Management – to report (together with the CEO) to the Board on the Company’s risk management and internal compliance and control systems, and to further develop risk management systems, procedures and controls;

Secretarial – carrying out the duties of the Company Secretary;

Board Reporting – supplying the Board with timely information and reports to enable the Board to properly carry out its duties.

5. COMMUNICATION AND DISCLOSURE

5.1 Continuous Disclosure Obligation (ASX)

All Directors must familiarise themselves with the continuous disclosure requirements of the *Corporations Act* and the *ASX Listing Rules*. In accordance with the *ASX Listing Rules* the Company will immediately notify the ASX of information:

- a. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company’s securities; and

- b. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

It is preferred that all disclosure be approved by the Board before being released to the ASX. However, given the continuous nature of this disclosure requirement, if Board approval is not practicable in the circumstances, urgent disclosure may be approved jointly by the CEO and CFO.

The Board has delegated to the Company Secretary and Chief Financial Officer, Mr Campbell Kennedy responsibility for overseeing and coordinating the Company's disclosure to the ASX.

5.2 Shareholder Communication

The Company recognises its role as a representative/chargee of its shareholders. The Company will facilitate the effective discharge its duty to shareholders. The Company, inter alia, is committed to:

- a. communicating effectively with shareholders through releases to the market via ASX and information mailed to shareholders and the general meetings of the Company;
- b. communicating clearly and succinctly in relation to the general and fiscal affairs of the Company, in a plain manner;
- c. allowing and enabling shareholders to participate in general meetings of the Company; and
- d. The Company will also make available a telephone number and email address for shareholders to make enquiries of the Company, in relation to day to day enquiries.

6. TRADING IN THE COMPANY'S SECURITIES

6.1 Designated Officers

This code in relation to trading in the Company's securities applies to all Designated Officers.

6.1.1 Designated Officers

Designated Officers are:

- a. all Directors;
- b. any employees of the Company or any subsidiary company who would become aware of undisclosed price sensitive information about the Company in the ordinary course of their jobs. This includes the Chief Executive Officer, Chief Financial Officer and any employee involved in the Company's investment, acquisition or divestiture activities; and
- c. relatives and related entities of (a) or (b).

6.1.2 Relevant Officers

Relevant Officers are Designated Officers whose shareholding is required to be disclosed to the ASX.

6.2 "Trading Windows"

The Company has implemented a Policy under which Designated Officers may only trade in the Company's securities during the four weeks commencing immediately after each of the following "trading windows":

- a. the release by the Company of its half-yearly results to the ASX;
- b. the release by the Company of its annual results to the ASX; and
- c. the close of the annual general meeting of the Company.

6.3 Trading at other times

If Designated Officers wish to trade in the Company's Securities outside of the trading windows, they must first seek permission from the Chairman. The Chairman will only approve the request where the Designated Officers has provided a compelling reason for needing to trade outside of the trading windows and the Designated Officers has confirmed that they are not in possession of any unpublished price sensitive information.

6.4 Insider Trading

In addition, consistent with the law, all Designated Officers, employees, advisers and all other people are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. For clarity, the Company considers that unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

6.5 Notification of Trades

6.5.1 Notification of Trades

Prior to trading in the Company's securities, Designated Officers and all employees of the Company or any subsidiary company and all professional advisers of Company or any subsidiary company must give the Company Secretary notice confirming that they are not in possession of any unpublished price sensitive information.

6.5.2 Further Notification from Relevant Officers

The completion of any such trade by a Relevant Officer must also be notified to the Company Secretary (who in turn shall advise the ASX).

7. COMPANY CODE OF CONDUCT

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has committed to adhering to an underlying corporate "Code of Conduct" to guide compliance with legal and other obligations to legitimate stakeholders. "Stakeholders" include employees, clients, customers, government authorities, creditors and the community as whole. This Code embraces the following:-

7.1.1 Responsibilities to Shareholders and the Financial Community Generally

The Company will comply with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

7.1.2 Responsibilities to Clients, Customers and Consumers

Employees have an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company, for its part, is committed to providing clients, customers and consumers with fair value.

7.1.3 Employment Practices

The Company will endeavour at all times to provide a safe workplace, in which there is equal opportunity for all employees (from time to time) at all levels of the Company. The Company will not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

7.1.4 Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. It is the Company's intention at all time to deal fairly with the Company's customers, suppliers, competitors and other employees and it will encourage its' employees to do the same.

7.1.5 Responsibilities to the Community

The Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs and with due regard to the interest of the shareholders of the Company.

7.1.6 Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

7.1.7 Conflicts of Interest

Employees and Directors are required to avoid conflicts, as well as the appearance of conflicts, between personal interests and the interests of the Company.

7.1.8 How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", the Company's policy will prevail.

7.1.9 How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

8. "IF NOT, WHY NOT"

The ASX Recommendations are based around the principle that all listed companies should comply with the recommendations unless they explain why they are non-compliant. Whilst the Company is not required to report on any variations from the ASX Recommendations pursuant to listing rule 4.10.3, it has provided a summary of such variations below for the benefit and convenience of Stakeholders.

Principle 2.1 – A majority of the Board should be independent directors

Principle 2.1 recommends that a majority of the Board should be independent directors. Given that the Board only has 4 directors, it is difficult for the Company to comply with this recommendation. However the Company has 2 independent directors (being one half of the directors) and the Chairman is independent. A third director is also a Non-Executive director.