

# Corporate governance statement

to the members of Uranium Exploration Australia Limited

## Statement

Uranium Exploration Australia Limited ("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 statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

## Disclosure of Corporate Governance Practices

### Summary Statement

	ASX P&R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 1.3 <sup>3</sup>	n/a	n/a
Recommendation 2.1		✓
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5	✓	
Recommendation 2.6 <sup>3</sup>	n/a	n/a
Recommendation 3.1	✓	
Recommendation 3.2	✓	
Recommendation 3.3 <sup>3</sup>	n/a	n/a
Recommendation 4.1		✓
Recommendation 4.2		✓
Recommendation 4.3	✓	
Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 5.1	✓	
Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 6.1	✓	
Recommendation 6.2 <sup>3</sup>	n/a	n/a

Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 8.1		✓
Recommendation 8.2	✓	
Recommendation 8.3 <sup>3</sup>	n/a	n/a

<sup>1</sup> Indicates where the Company has followed the Principles & Recommendations.

<sup>2</sup> Indicates where the Company has provided "if not, why not" disclosure.

<sup>3</sup> Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

## Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.uxa.com.au](http://www.uxa.com.au) under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	Recommendation(s)
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

## Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2008/2009 financial year ("Reporting Period").

### 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 executives and disclose those functions.

#### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company by:

- (a) overseeing the Company, including its control and accountability systems;
- (b) appointing the chief executive officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the chief executive officer, or equivalent;
- (c) ratifying the appointment and, where appropriate, the removal of senior executives, including the chief financial officer and the company secretary;
- (d) evaluating the performance of senior executives;
- (e) ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
- (f) approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- (g) satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- (h) assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- (i) monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- (j) ensuring appropriate resources are available to senior management;
- (k) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- (l) approving the annual budget of the Company;
- (m) monitoring the financial performance of the Company;
- (n) ensuring the integrity of the Company's financial (with the assistance of the Audit Committee, if applicable) and other reporting through approval and monitoring;
- (o) providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- (p) appointing the external auditor (where applicable, based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- (q) engaging with the Company's external auditors and Audit Committee (where there is a separate Audit Committee);
- (r) monitoring compliance with all of the Company's legal obligations, such as those obligations relating to the environment, native title, cultural heritage and occupational health and safety; and
- (s) make regular assessment of whether each non-executive director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.

The Board may not delegate its overall responsibility for the matters listed above. However, it may delegate to senior management the

responsibility of the day-to-day activities in fulfilling the Board's responsibility provided those matters do not exceed the Materiality Threshold as defined below.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

### **Recommendation 1.2:**

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

#### **Disclosure:**

The Board is responsible for evaluating the senior executives. The Board reviews the senior executives on an ongoing informal basis.

### **Recommendation 1.3:**

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

#### **Disclosure:**

During the Reporting Period the performance evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

## **Principle 2. Structure the board to add value**

### **Recommendation 2.1:**

A majority of the Board should be independent directors.

#### **Disclosure:**

The independent directors of the Board are Neill Arthur, Barry Dawes, Stephen Gemell, Ian Mutton and David Hawley. The non-independent director of the Board is Russell Penney.

#### **Disclosure:**

During the Reporting Period the majority of directors were independent in accordance with the Recommendation 1.2.

### **Recommendation 2.2:**

The Chair should be an independent director.

#### **Disclosure:**

The independent Chair of the Board is Neill Arthur.

### **Recommendation 2.3:**

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

#### **Disclosure:**

The Managing Director is Russell Penney who is not Chair of the Board.

### **Recommendation 2.4:**

The Board should establish a Nomination Committee.

### **Notification of Departure:**

The Company has established a separate Nomination Committee.

### **Explanation for Departure:**

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by conducting a separate Nomination Committee Meetings. Accordingly, the Board performed the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

### **Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

### **Disclosure:**

The Chair is responsible for evaluation of the Board and when deemed appropriate, Board Committees and individual directors. The Board, in its capacity as the Nomination Committee, is responsible for evaluating the Managing Director.

These evaluations are performed on an ongoing informal basis.

### **Recommendation 2.6:**

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

### **Disclosure:**

#### **Skills, Experience, Expertise and Term of Office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### **Identification of Independent Directors**

The independent directors of the Company are Neill Arthur, Barry Dawes, Stephen Gemell, Ian Mutton and David Hawley. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

#### **Company's Materiality Thresholds**

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

##### **Materiality – Quantitative**

###### *Balance sheet items*

Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.

###### *Profit and loss items*

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

##### **Materiality – Qualitative**

Items are also material if:

- (a) they impact on the reputation of the Company;
- (b) they involve a breach of legislation or may potentially breach legislation;
- (c) they are outside the ordinary course of business;
- (d) they could affect the Company's rights to its assets;
- (e) if accumulated they would trigger the quantitative tests;
- (f) they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or
- (g) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

##### **Material Contracts**

Contracts will be considered material if:

- (a) they are outside the ordinary course of business;
- (b) they contain exceptionally onerous provisions in the opinion of the Board;
- (c) they impact on income or distribution in excess of the quantitative tests;
- (d) any default, should it occur may trigger any of the quantitative or qualitative tests;
- (e) they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
- (f) they contain or trigger change of control provisions;
- (g) they are between or for the benefit of related parties; or
- (h) they otherwise trigger the quantitative tests.

Any matter which falls within the above guidelines is a matter which triggers the materiality threshold ("Materiality Threshold").

##### **Statement concerning availability of Independent Professional Advice**

The Board acknowledges the need for independent judgement on all Board decisions, irrespective of each individual director's independence.

To assist directors with independent judgement, it is the Board's Policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

##### **Nomination Matters**

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

##### **Performance Evaluation**

During the Reporting Period an evaluation of the Board, Board committees and individual directors did occur in accordance with the disclosed process at Recommendation 2.5.

### **Selection and (Re) Appointment of Directors**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

#### **Disclosure:**

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. One third of the Board of Directors retire in each year in accordance with the Company's Constitution. Re-appointment of directors is not automatic.

### **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 as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### **Disclosure:**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

#### **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.

#### **Disclosure:**

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

#### **Recommendation 3.3:**

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

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.

### **Principle 4. Safeguard integrity in financial reporting**

#### **Recommendation 4.1 and 4.2:**

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

#### **Recommendation 4.3:**

The Audit Committee should have a formal charter.

#### **Disclosure:**

The Company has adopted an Audit Committee Charter.

#### **Recommendation 4.4:**

Companies should provide the information indicated in the Guide to reporting on Principle 4.

#### **Disclosure:**

The Audit Committee, held two meetings during the Reporting Period.

Details of each of the director's qualifications are set out in the Directors' Report. All members of the Board consider themselves to be financially literate and have industry knowledge.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

### **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.

#### **Disclosure:**

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

#### **Recommendation 5.2:**

Companies should provide the information indicated in the Guide to reporting on Principle 5.

#### **Disclosure:**

Please refer to the section above marked Website Disclosures.

### **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.

#### **Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

#### **Recommendation 6.2:**

Companies should provide the information indicated in the Guide to reporting on Principle 6.

**Disclosure:**

Please refer to the section above marked Website Disclosures.

**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.

**Disclosure:**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. As part of the Company's risk management system, the Managing Director is required to report on the progress of, and on all matters associated with, risk management on a regular basis. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks, at least annually.

In fulfilling the duties of risk management, the Chief Executive Officer/Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

the Board has established authority limits for management which, if exceeded, will require prior Board approval;

the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and

the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

On 14 September 2009 the Board resolved to review, formalise and document the management of its material business risks and expects to implement this system in the second quarter of the 2009/2010 financial year. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

**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 risks 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.

**Disclosure:**

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

**Recommendation 7.3:**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations 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.

**Disclosure:**

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration 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 risk.

**Recommendation 7.4:**

Companies should provide the information indicated in the Guide to reporting on Principle 7.

**Disclosure:**

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

**Principle 8.  
Remunerate fairly and responsibly****Recommendation 8.1:**

The Board should establish a Remuneration Committee.

**Disclosure:**

The Board has established a remuneration Committee, the majority of whom are independent directors.

**Recommendation 8.2:**

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

**Disclosure:**

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

**Recommendation 8.3:**

Companies should provide the information indicated in the Guide to reporting on Principle 8.

**Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, met during the Reporting Period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.