

CORPORATE GOVERNANCE PRACTICES & POLICIES

Board of Directors and its Committees

The Board is responsible to shareholders for the overall Corporate Governance of the consolidated entity including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board is responsible for ensuring the maintenance of corporate governance policies and procedures in accordance with current best practices having regard to the size and activities of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary/Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

Management is charged with the day to day operation and administration of the Company in accordance with the objectives and policies set down by the Board. The Managing Director is accountable to the Board for the performance of the management team.

The Board's role and the Group's corporate governance practices are being reviewed and improved as required.

Composition of the Board

The Directors of the Company in office at the date of this statement and details of skills and experience are detailed in the Directors' Report.

The composition of the Board is determined in accordance with the Constitution, a copy of which is available at www.frontierresources.com.au.

The Board should comprise Directors with a broad range of expertise both nationally and internationally.

The terms and conditions of the appointment and retirement of Non-Executive Directors are set out in a letter of appointment.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the consolidated entity's expense. However, prior approval of the Chairman is required.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be Directors or qualified consultants. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial reports.

The members of the Audit Committee during the year were Messrs W.J. Staude (Chairman) G.J. Fish and G.M. Edwards. Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' report.

The auditor and the Chairman are invited to Audit Committee meetings at the discretion of the Committee.

The responsibilities of the Audit Committee include:

- reviewing reports prepared by the external auditors and other consultants to ensure that, should major deficiencies or breakdowns in controls or procedures be identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner;
- reviewing internal controls and recommending enhancements;
- monitoring compliance with the Corporations Act 2001, Australian Stock Exchange Listing Rules and any matters outstanding with auditors, taxation and other regulatory authorities and financial institutions.

Remuneration Committee

Since the Company listed in April 2003 the Company has not had a Remuneration Committee. Establishment of a Committee and a charter is expected to occur by the end of 2004.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, organisation structures that seek to provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Ethical and Responsible Decision-making

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with customers, suppliers, advisors and regulators, competitors, the community and each other in each country where the consolidated entity operates.

Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the directors of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others - including colleagues, family or friends - knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must not acquire or sell, directly or indirectly any securities (shares or options) in the Company except within the period of 1 month after the release of any of the quarterly, half-yearly and yearly reports and any announcements to the ASX which may or are likely to effect the value of the company's assets in a material way, or, 1 month after the holding of the Annual General Meeting. The Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

Disclosure of Information

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed only if the ASX listing rules provide for non-disclosure.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

The Role of Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.

Half-year financial reports prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The financial reports are sent to any shareholder who requests them and quarterly reports are submitted to the Australian Stock Exchange ("ASX") under the requirements of the Exchange relating to mining companies. Copies of the quarterly reports are sent to shareholders whenever sufficient new information in the report warrants distribution.

All announcements and reports submitted to ASX are posted on the Company's website www.frontierresources.com.au.

Role of Auditor

The Company's practice is to invite the 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.

Risk Management

Identification of Risk

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company does not have a formal Risk Management Policy but arrangements have been put in place by the Board to monitor risk management including monthly reporting to the Board in respect of operations and the financial position of the Group.

Integrity of Financial Reporting

Commencing 30 June 2004, the Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. An annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Remuneration Arrangements

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Details of the Company's remuneration policies are contained in the Directors' Report and information on the Remuneration Committee is contained in a separate heading within this Corporate Governance Statement and in the Directors' Report.

Interests of Other Stakeholders

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

Environment

The consolidated entity aims to ensure that the highest standard of environmental care is achieved and has a written Environmental Policy which is distributed to all employees.

ADOPTION OF ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Recommendations with the following exceptions:

Composition of the Board

Council Principle 2: Structure the Board to add value

Council Recommendation 2.1: A majority of the Board should be Independent Directors.

The Board considers that a majority of the Board is not independent in accordance with Recommendation 2.1, however the Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must and do absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional Independent Non-Executive Directors.

Council Recommendation 2.2: The Chairperson should be an Independent Director.

The Company's Chairman, Mr R.D. McNeil, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of Independent Director. However the Board believes that the Chairman is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.

Council Recommendation 2.4: The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors.

Ethical and Responsible Decision-making

Council Principle 3: Promote ethical and responsible decision-making.

Council Recommendation 3.1: Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the Company's integrity;*
- 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.*

A code is being developed and is expected to be adopted by the end of 2004.

Council Recommendation 3.2: Disclose the policy concerning trading in Company securities by Directors, officers and employees.

The policy on share trading by Directors is being extended to apply to employees and is expected to be adopted by the end of 2004.

Integrity of Financial Reporting

Council Principle 4: Safeguard integrity in financial reporting.

Council Recommendation 4.3: Structure the audit committee so that it consists of:

- only Non-Executive Directors;
- a majority of Independent Directors;
- an Independent Chairperson, who is not Chairperson of the Board;
- at least three members.

The Audit Committee does not consist of only Non-Executive Directors. The Board considers the mix of two Independent Non-Executive Directors and the Company Secretary appropriate for the Company given the current size of the Board and role of the Committee.

Remuneration

Council Principle 9: Remunerate fairly and responsibly

Council Recommendation 9.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.

The Non-Executive Directors should not receive options or bonus payments.

Non-Executive Directors were issued options on the same terms and conditions as Executive Directors as approved by shareholders in general meeting.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to non-executives is an appropriate method to potentially supplement Non-Executive Directors' cash remuneration, which is kept relatively low (currently \$15,000 p.a.) and provide incentive without further use of cash while the Company is reliant upon shareholder funds to operate.