



» CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Cape Lambert Resources Limited (**Cape Lambert**) is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council's (**CGC**) Corporate Governance Principles and Recommendations (**Recommendations**) and CGC published guidelines.

In accordance with ASX Listing Rule 4.10.3, this corporate governance statement discloses the extent to which the Company has followed the Recommendations by detailing the Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. The Company is pleased to advise that the Company's practices are largely consistent with CGC guidelines, however, in areas where they do not correlate, the Company is working toward compliance or do not consider that the practices are appropriate for the current size and scale of operations.

Cape Lambert corporate governance practices were in place throughout the year ended 30 June 2011. The current corporate governance policies are posted in a dedicated corporate governance information section of the Company's website at www.capelam.com.au.

Adherence to the Guide on Best Practice Recommendations

Recommendation	Comply Yes / No
Principal 1 - Lay solid foundations for management and oversight	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes
1.2 Disclose the process for evaluating the performance of senior executives.	Yes
1.3 Provide the information indicated in the guide to reporting on Principle 1.	Yes
Principal 2 - Structure the Board to add value	
2.1 A majority of the Board should be independent directors.	Yes
2.2 The chairperson should be an independent director.	No
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	No
2.4 The Board should establish a nomination committee.	No
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6 Provide the information indicated in the guide to reporting on Principle 2.	Yes

Recommendation	Comply Yes / No
Principal 3 – Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes
3.1.1 The practices necessary to maintain confidence in the Company's integrity.	
3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	
3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
3.2 Establish and disclose the policy concerning trading in Company securities by directors, senior executives and employees.	Yes
3.3 Provide the information indicated in the guide to reporting on Principle 3.	Yes
Principal 4 – Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	Yes
4.2 The audit committee should be structured so that it:	Yes
4.2.1 consists only of non-executive directors;	
4.2.2 consists of a majority of independent directors;	
4.2.3 is chaired by an independent chairperson, who is not chairperson of the Board; and	
4.2.4 has at least three members.	
4.3 The audit committee should have a formal charter.	Yes
4.4 Provide the information indicated in the guide to reporting on Principle 4.	Yes
Principal 5 – Make timely and balanced disclosure	
5.1 Companies should established 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.	Yes
5.2 Provide the information indicated in the guide to reporting on Principle 5.	Yes
Principal 6 – Respect the rights of shareholders	
6.1 Companies should design a communication policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2 Provide the information indicated in the guide to reporting on Principle 6.	Yes



Recommendation		Comply Yes / No
Principal 7 - Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
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.	Yes
7.3	The Board should disclose whether it has received assurances 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.	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	Yes
Principal 8 - Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	Yes
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Provide the information indicated in the guide to reporting on Principle 8.	Yes

The Board of Directors

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management 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.

In carrying out its governance role, the main task of the Board is to drive 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 successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- » Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board;
- » Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
- » Overseeing Planning Activities: the development of the Company's strategic plan;
- » Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company;
- » Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company;
- » Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting;
- » Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (**CEO**) and Chief Financial Officer (**CFO**) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy;
- » Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees; and
- » Delegation of Authority: delegating appropriate powers to the CEO 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.



Structure of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report. Directors are appointed based on the specific skills required by the Company and on other attributes such as their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Timothy Turner, Mr Ross Levin and Mr Brian Maher are Non-Executive Directors, and are independent directors as they meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- » is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- » within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- » within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- » is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- » has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- » 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
- » 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.

Mr Antony Sage is the Executive Chairman of the Company and does not meet the Company's criteria for independence. The Board believes his experience and knowledge of the Company makes him the most appropriate person to lead the Board.

The role of Chief Executive Officer of the Company is currently discharged by the Executive Chairman, Mr Antony Sage. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes, Mr Antony Sage, remains the most appropriate person to fulfil this role.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Mr Antony Sage	10 years & 9 months	(Executive Chairman)
Mr Timothy Turner	7 years	(Non-Executive Director)
Mr Brian Maher	5 years & 9 months	(Non-Executive Director)
Mr Ross Levin	1 year & 3 months	(Non-Executive Director)

Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company.

The performance of the Chief Executive Officer (Executive Chairman) is monitored by the non-executive Directors. A formal performance review of the Executive Chairman did not occur during the year.

The performance of senior management is monitored by the Executive Chairman.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive Directors, the Chief Executive Officer, and senior management. Details of these practices are available on the Company's website. No formal performance evaluation of the Board, individual directors of senior management took place during the year.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skill gaps where they are identified.

Securities Trading Policy

On 20 December 2010, the Company adopted a new Securities Trading Policy (which was then updated on 30 June 2010) in compliance with the ASX Listing Rules, which is located on the Company's website: www.capelam.com.au.

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. Additionally, the Board and other employees may not deal in the Company's securities 2 days preceding the release of annual results and half year results.

Before commencing to trade outside of those black-out periods, a Director, executive or other employee must notify the Chairman or Company Secretary of their intention to do so.

As is required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by a Director in the securities of the Company.

Further information regarding Cape Lambert's Securities Trading Policy can be found on the Company's website, www.capelam.com.au.

Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the CGC as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company did not have a designated CEO. The role of the CEO is discharged by the Executive Chairman. The certification required in accordance with section 295A of the Corporations Act is provided by the relevant director and CFO prior to acceptance by the Board as a whole.



Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The Audit and Risk Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards, and reviewing the integrity of the Company's financial reporting to the Audit and Risk Committee.

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

The Audit and Risk Committee is also responsible for establishing policies on risk oversight and management.

The members of the Audit and Risk Committee during the year were:

Mr Timothy Turner (Committee Chairman)
Mr Brian Maher
Mr Ross Levin

All members of the Audit and Risk Committee are non-executive directors. The qualifications and experience of the Audit and Risk Committee members are stated in the Directors' Report.

Further information regarding Cape Lambert's Audit and Risk Committee charter can be found on the Company's website, www.capelam.com.au.

Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. The Board has established a formal policy for risk management and a framework for monitoring and managing material business risks on an ongoing basis. The governance of this policy has been delegated to the Audit and Risk Committee. The Audit and Risk Committee reviews the material business risks determined and reported by executive management on a regular basis and ensures that an effective, integrated and comprehensive risk management system and process is being operated by management. The policies and procedures adopted are directed at meeting the following objectives:

- » effectiveness and efficiency in the use of the Company's resources;
- » compliance with applicable laws and regulations; and
- » preparation of reliable published financial information.

Remuneration Committee

The Board has established a Remuneration Committee, which operates under a charter approved by the board. The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees, executives and directors.

The Remuneration Committee consists of the Non-Executive Directors. Members of the remuneration committee throughout the year were:

Mr Timothy Turner
Mr Brian Maher
Mr Ross Levin

Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

Remuneration Policy

Directors' Remuneration has been approved by resolutions of the Board and resolutions of the Remuneration Committee on various dates as and when Directors have been appointed to the Company.

Senior Executive Remuneration Policy

The Company is committed to remunerating 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 the remuneration of senior executive may be comprised of the following:

- » fixed fee that is determined from a review of the market and reflects core performance requirements and expectations;
- » a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- » participation in any share/option scheme with thresholds approved by shareholders; and
- » statutory superannuation.

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



Senior Executive Remuneration Policy (Continued)

The value of shares and options were they to be granted to senior executives would be calculated using the Black-Scholes option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Non - Executive Directors bonuses are determined by the Remuneration Committee.

Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

Nomination Committee

The role of a 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. As the whole Board only consisted of four members for the year, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on these specific issues.

Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly 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 would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with relevant industry experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

Diversity

In December 2010, the Company adopted a diversity policy which provides a framework for the Company to achieve:

- » a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- » a workplace culture characterised by inclusive practices and behaviors for the benefit of all staff;
- » improved employment and career development opportunities for women;
- » a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- » awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board is primarily responsible for setting achievable objectives on gender diversity and monitoring the progress of the Company towards them on an annual basis. Due to the size and scale of operations of the Company, the Board has determined that a long term gender diversity objective is more appropriate.

The Company does not have any women holding positions at Board level, however women hold the positions of Chief Financial Officer, Company Secretary and head of Investor Relations.

Cape Lambert Resources Limited is a listed public company, incorporated in Australia.