

WINDY KNOB RESOURCES LIMITED

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company currently has in place a corporate governance policy which is posted in a dedicated corporate governance information section of the Company's website at www.windyknobresources.com.au.

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	<i>Lay solid foundations for management and oversight</i>	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	The Company's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director.
2.	<i>Structure the board to add value</i>	
2.1	A majority of the board should be independent directors.	Adopted.
2.2	The chairperson should be an independent director.	The chairperson Mr Guy Leclezio is an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Company has an Executive/Managing Director, Mr Mathew Walker (considered to be the Chief Executive Officer). This position is separate from the Chairman, Mr Guy Leclezio.
2.4	The board should establish a nomination committee.	The Board has undertaken to establish a nomination committee within one month of listing. The Board did not believe it was necessary to establish the committee prior to listing, as the Due Diligence committee and the Board undertook the nomination

		committees responsibilities prior to listing. The Company has a formal Nomination Committee Charter, which is included in the Companies Corporate Governance Policy which is available on the Companies web site.
2.5	Provide the information indicated in <i>Guide to Reporting on Principle 2</i> .	The Company has posted details of each director, such as their skills, experience and expertise relevant to their position on the Companies web site. Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 will be included in its future annual reports. The Corporate Governance Statement has been posted on the Company's website.
3.	<i>Promote ethical and responsible decision-making</i>	
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: (a) the practices necessary to maintain confidence in the company's integrity; and (b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company's proposed Corporate Governance Statement includes a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. The Corporate Governance Statement has been posted on the Company's website.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	The Company's current corporate governance policy includes guidelines for buying and selling securities in the Company. The Corporate Governance Statement, which deals more comprehensively with trading in Company securities, has been posted on the Company's website.
3.3	Provide the information indicated in <i>Guide to Reporting on Principle 3</i> .	The Company will explain any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 in its future annual reports.

		The Corporate Governance Statement has been posted on the Company's website.
4.	<i>Safeguard integrity in financial reporting</i>	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	The Board requires the Managing Director to make such a statement at the relevant time. For example, this was part of the Due Diligence process. The Company does not have a Chief Financial Officer, however the Company Secretary performs this task and reports directly to the Managing Director.
4.2	The board should establish an audit committee.	The Board has undertaken to establish an audit committee within one month of listing. The Board did not believe it was necessary to establish the committee prior to listing, as the Due Diligence committee undertook the audit committee's responsibilities prior to listing. The Company has a formal Audit Committee Charter, which is included in the Companies Corporate Governance Policy which is available on the Companies web site.
4.3	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	The proposed structure of the audit committee is included in the Companies Corporate Governance Policy, which states that: Membership and composition: The Board shall appoint the members of the Committee and review the composition of the Committee at least annually. The Committee will comprise: (a) at least three members; (b) a majority of non-executive directors whom are independent; (c) an independent chairman appointed by the Board and who is not the Chairman of the Board; and

		(d) where possible, members with sufficient financial skills and experience relevant to the committee's functions.
4.4	The audit committee should have a formal charter.	The Company's Corporate Governance Policy includes a formal charter for the audit committee.
4.5	Provide the information indicated in <i>Guide to Reporting on Principle 4</i> .	The Company will provide details of the members of the audit committee, the number of meetings of the audit committee and the names of the attendees, together with an explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 and 4.5 (if any) in its future annual reports. The Corporate Governance Statement has been posted on the Company's website.
5.	<i>Make timely and balanced disclosure</i>	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position.
5.2	Provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The Company will provide an explanation of any departures from best practice recommendations 5.1 and 5.2 (if any) in its future annual reports. The Corporate Governance Statement has been posted on the Company's website.
6.	<i>Respect the rights of shareholders</i>	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company's Corporate Governance Policy includes a Shareholder Communications Strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Request the external auditor to attend the annual general meeting and be available to answer	The Board will request the external auditor to attend all future annual general meetings of the Company to answer shareholder questions about the conduct of the

	shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	audit and the preparation and content of the auditor's report.
7.	<i>Recognise and manage risk</i>	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: (a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and (b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	The Board will consider whether it is appropriate to require the Managing Director and Chief Financial Officer (Company Secretary) to provide such a statement at the relevant time. At present, the Board believes that it has adequately addressed issues of Risk and the future management of risk through the recent Due Diligence process.
7.3	Provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company will provide an explanation of any departures from best practice recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports. The Corporate Governance Statement has been posted on the Company's website.
8.	<i>Encourage enhanced performance</i>	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	The Board has developed a formal process for performance evaluation of the Board and the committees.

9.	<i>Remunerate fairly and responsibly</i>	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	The Company has a Remuneration Committee Charter included in the Companies Corporate Governance Policy document, which deals with these matters. The Company has also fully disclosed the remuneration of Directors in the current Prospectus
9.2	The board should establish a remuneration committee.	The Board has undertaken to establish a remuneration nomination committee within one month of listing. The Board did not believe it was necessary to establish the committee prior to listing, as the Due Diligence committee and the Board undertook the nomination committee's responsibilities prior to listing. The Company has a formal Remuneration Committee Charter, which is included in the Companies Corporate Governance Policy which is available on the Companies web site.
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Non-executive directors are paid a set fee of up to \$40,000 per annum (inclusive of superannuation). As disclosed in the recent Prospectus, fees for Directors are as follows: Non-Executive Chair: Guy Leclezio; \$40,000 Executive Director: Mathew Walker; \$75,000 Non-Executive Director: Russell Lynton-Brown: \$30,000 Non-Executive Director: William Witham: \$30,000 The Chairman is paid an additional fee of \$10,000 per annum, due to extra commitments. The Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$250,000 per

		annum. The Board is responsible for determining the remuneration of the Managing Director and senior executives.
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	The Company has no intentions in relation to payment of equity based executive remuneration at this time.
9.5	Provide the information indicated in <i>Guide to Reporting on Principle 9</i> .	The Board will consider what information to include in the corporate governance section of the Company's annual report in respect of remuneration policies at the relevant time. The Company does not currently have in existence any schemes for retirement benefits. The Company will explain any departures from best practice recommendations 9.1, 9.2, 9.3 and 9.4 in its future annual reports.
10.	<i>Recognise the legitimate interests of stakeholders</i>	The Company has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.