CORPORATE GOVERNANCE

The Board of Directors of Resource Star Limited ("**Resource**" or "**the Company**") is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of Resource on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

CORPORATE GOVERNANCE DISCLOSURES

The Board and management are committed to corporate governance and to the extent that they are applicable to the Company have followed the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the Australian Securities Exchange ("ASX") Corporate Governance Council.

In summary, Resource departs from the Guidelines in four (4) key areas:

- The Chairperson is not deemed to be Independent; this is a departure from Recommendation 2.2. The current Chairperson is an Officer of a company which is a Substantial Shareholder of Resource Star Limited;
- Resource does not have a separate Nomination Committee; this is a departure from Recommendation 2.4. The full Board attends to the matters normally attended to by a Nomination Committee;
- Resource does not have a separate Remuneration Committee; this is a departure from Recommendation 8.1. The full Board attends to the matters normally attended to by a Remuneration Committee. Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives; and
- The Audit Committee currently does not have three (3) members; this is a departure from Recommendation 4.2. The Audit Committee currently comprises of two (2) Non-Executive Directors.

Also the Company does not have a full time Chief Financial Officer but all assurances as to the integrity of the Financial Accounts are provided by the externally appointed Senior Accountant.

ROLE OF THE BOARD

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;

- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the company has adopted, and that the Company's practice is consistent with, a number of guidelines, being:

  - Directors and Executive Officers Code of Conduct;
  - Dealings in Securities; and
  - Reporting and Dealing with Unethical Practices.

- Reporting to and advising shareholders.

STRUCTURE OF THE BOARD

Directors of Resource are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.

An independent director is a non-executive director (i.e. is not a member of management) 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 its subsidiaries, or been a director after ceasing to hold any such employment;
- is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue. A director who is a principal or employee of a professional adviser will not participate in the provision of any service to the Company by the professional adviser;
- is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;
- has no material contractual relationship with the Company or its subsidiaries 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;
- 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 definition of independence above, the following directors of Resource are considered to be independent:

Name	**Position**
R Benussi	Non-Executive Director
R Kestel	Non-Executive Director

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

The term in office held by each director is as follows:

Name	**Term**
A Bell	No contract
R Benussi	No contract
R Kestel	No contract

When a Board vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Remuneration and Nomination Committee will recommend to the Board a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Remuneration and Nomination Committee

The Board has not established a formal Remuneration and Nomination Committee. The full Board attends to the matters normally attended to by a Remuneration and Nomination Committee. Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

For full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits ton Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management 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. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of risk management, internal controls and ethical standards to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The Board has established an Audit and Risk Management Committee comprising of two (2) Non-Executive Directors.

The members of the Audit and Risk Management Committee at the date of this Report are:

- R Kestel (Chairman); and
- R Benussi

For qualifications of the Audit and Risk Management Committee members and details on the number of meetings of the Committee held during the year and the attendees of those meetings, refer to the Directors' Report.

The Company's Policy is to appoint external auditors who clearly demonstrate independence. The performance of the external auditor is reviewed annually by the Audit and Risk Management Committee. The auditors have a policy of rotating the audit partner at least every 5 years.

RISK MANAGEMENT

The Board recognises that the identification and management of risk, including calculated risk taking, is an essential part of creating long term shareholder value.

Management reports directly to the Board on the Company's key risks and is responsible, through the CEO for designing, maintaining, implementing and reporting on the adequacy of the risk management and internal control systems.

The Audit and Risk Management Committee monitors the performance of the risk management and internal control systems and reports to the Board on the extent to which it believes the risks are being managed and the adequacy and comprehensiveness if risk reporting from management.

The Board must satisfy itself, on a regular basis, that risk management and internal control systems for the company have been fully developed and implemented.

The Company has identified specific risk management areas being strategic, operational and compliance. The Board has reviewed risks faced by the Company on a regular basis due to the potential impact of the global financial crisis.

A detailed risk identification matrix has been prepared by management. High and very high risk issues are reported to the Board. The CEO is responsible for ensuring the Company complies with its regulatory obligations.

The CEO and CFO also provide written assurance to the Board on an annual basis that to the best of their knowledge and belief, the declaration provided by them 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 relation to financial reporting risks.

The assurances from the CEO and CFO can only be reasonable rather than absolute due to factors such as the need for judgement and possible weaknesses in control procedures.

Any material changes in the Company's circumstances are released to the ASX and included on the Company's website.

BEST PRACTICE RECOMMENDATION

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The Company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

Corporate Governance Policy	Action taken and reasons if not adopted
Lay solid foundation for management and oversight	Adopted
Principle 1: Recognise and publish the respective roles and responsibilities of the board and management	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management.	The Company's Corporate Governance Polices includes a Board Charter, which discloses the specific responsibilities of the Board.
1.2 Disclose the process for evaluating the performance of senior executives.	The Board monitors the performance of senior management including measuring actual performance against planned performance.
1.3 Provide the information indicated in 'Guide to reporting on Principle 1'.	The Company will provide details of any departures from Principle 1 in its Annual Report.

Corporate Governance Policy	Action taken and reasons if not adopted
Structure the board to add value	Adopted except as follows:
Principle 2: Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties	
2.1 A majority of the Board should be independent.	Two (2) of the three (3) Directors are independent.
2.2 The chairperson should be an independent director.	**2.2 The chairman is an officer of a company which is a substantial shareholder.**
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	The roles of the Chair and the CEO are not exercised by the same individual.
2.4 The board should establish a nomination committee.	**2.4 The Company is not of a size to justify having a Nomination Committee. Matters typically dealt with by such a Committee are dealt with by the full Board.**
2.5 Disclose the process for evaluating the performance of the board, its committees and the individual directors.	The Board has adopted a policy to assist of evaluating Board performance.
2.6 Provide the information indicated in 'Guide to reporting on Principle 2'.	The Company will provide details of any departures from Principle 2 in its Annual Report.
Actively promote ethical and responsible decision-making	Adopted
Principle 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct and disclose the code or a summary of the code as to: 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 reasonable expectations of their stakeholders 3.1.3 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices.	The Company's Corporate Governance Policies include a Directors and Executive officers' Code of Conduct Policy, which provides a framework for decisions and actions in relation to ethical conduct in employment.
3.2 Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	The Company's Corporate Governance Policies includes a Dealing in Securities Policy which provides comprehensive guidelines on trading in the Company's securities.
3.3 Provide the information indicated in 'Guide to Reporting on Principle 3'.	The Company will provide details of any departures from Principle 3 in its Annual Report.

Corporate Governance Policy	Action taken and reasons if not adopted
Safeguard integrity in financial reporting	Adopted except as follows:
Principle 4: Establish a structure to independently verify and safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	An Audit and Risk Management Committee has been established by the Company.
4.2 Structure the audit committee so that it consists of:	
▪ Only non-executive directors	Committee comprises of two (2) non-executive directors
▪ A majority of independent directors	The non-executive directors comprising the Committee are the only two (2) independent directors
▪ An independent chairperson who is not the chairperson of the Board	The Chairperson is not the Chairman of the Board
▪ At least three members	**The Committee only comprises of two (2) members**
4.3 The audit committee should have a formal operating charter.	The Audit and Risk Committee has a formal Charter.
4.4 Provide the information indicated in the 'Guide to reporting on Principle 4'.	The Company will provide details of any departures from Principle 4 in its Annual Report.
Promote timely and balanced disclosure	Adopted
Principle 5: Make timely and balanced disclosure of all material matters concerning the company	
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 Policy which is designed to ensure compliance with the ASX Listing Rules requirements on disclosure and to ensure accountability at a board level for compliance and factual presentation of the Company's financial position.
5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'.	The Company will provide details of any departures from Principle 5 in its Annual Report.
Respect the rights of shareholders	Adopted
Principle 6: Respect the rights of shareholders and facilitate the effective exercise of those rights	
6.1 Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose the policy or a summary of the policy	The Company's Corporate Governance Policies includes a Shareholder Communications Policy which aims to ensure that the shareholders are informed of all material developments affecting the Company's state of affairs.
6.2 Provide the information indicated in the 'Guide to reporting on Principle 6'.	The Company will provide details of any departures from Principle 6 in its Annual Report.

Corporate Governance Policy	Action taken and reasons if not adopted
Recognise and manage risk *Principle 7: Establish a sound system of risk oversight and management and internal control*	Adopted
7.1 The Board or appropriate Board committee should establish policies on risk oversight and management.	The Company's Corporate Governance Policies includes a Risk Management Policy which aims to ensure that all material business risks are identified and mitigated. The Board identifies the Company's "risk profile" and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal controls.
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.	The board requires that the CEO designs and implements continuous risk management and internal control systems and provides reports at relevant times.
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 risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.	The board seeks, at the appropriate times, these relevant assurances from the individuals appointed to perform the role of Chief Executive Officer and the Chief Financial Officer.
7.3 Provide the information indicated in the 'Guide to reporting on Principle 7'.	The Company will provide details of any departures from Principle 7 in its Annual Report.
Remunerate fairly and responsibly *Principle 8: Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined*	Adopted except as follows:
8.1 The Board should establish a remuneration committee	**8.1 The Company is not of a size to justify having a separate Remuneration Committee. However, matters typically dealt with by such committee are dealt with by the full Board.**
8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executives	The board distinguishes the structure of non-executive Director's remuneration from that of executive Directors and senior executives. The Company's Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum by a general meeting of shareholders.

Corporate Governance Policy	Action taken and reasons if not adopted
8.3 Provide the information indicated in the 'Guide to reporting on Principle 8'.	The board is responsible for determining the remuneration of any Director or senior executive, without the participation of the affected Director. The Company will provide details of any departures from Principle 7 in its Annual Report.

Further information on the Corporate Governance Policies that have been adopted by the Company can be referenced at the Company's website: www.resourcestar.com.au