

MAGNA MINING N.L. AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

The Board of Magna Mining NL is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of shareholders by whom they are elected and to whom they are accountable.

The ASX Listing Rules require listed companies to include in their annual report details of specific aspects of their corporate governance practices, and disclose and explain any departures from the Best Practice Recommendations contained in the ASX Corporate Governance Council's "*Principles of Good Corporate Governance and Best Practice Recommendations*".

The ten principles established by the Corporate Governance Council are set out below for the information of shareholders. It should be noted that the principles are intended as guidelines only and that they may not be practically applicable to all entities.

10 Principles established by the Corporate Governance Council

An organisation should:

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosures
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Encourage enhanced performance
9. Remunerate fairly and responsibly
10. Recognise the legitimate interests of stakeholders

The Board of Magna Mining NL is supportive of the recommendations represented by the Principles and, following a review of the corporate governance framework, it has adopted a series of Corporate Governance Policies which seek to apply the Principles to the extent relevant to the Group, having regard to its size and its operations.

Corporate Governance Council Recommendation 1

Role of the Board of Directors

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Group including:

- Formulating the Group's strategic direction;
- Appointing, setting remuneration and monitoring the performance of Directors, executives and consultants;
- Reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct and legal compliance;
- Approving and monitoring capital expenditure projects, capital management, and acquisitions and disposals; and
- Approving and monitoring financial and other reporting.

The Board presently considers that given the size of the Group and the limited number of executives employed by the Company at any time, the adoption of a formal Board Charter to formalise the above practices and clarify the respective roles of the Board and senior management is not presently warranted. The Board will continue to monitor the need for the adoption of a formal Board Charter.

Board Processes

The full Board holds regular meetings each year, plus any extraordinary meetings at such other times as may be required.

An agenda for the meetings has been determined to ensure certain standing information is addressed whilst other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agendas are subject to review by the Chairman and the Company Secretary.

MAGNA MINING N.L. AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Recommendation 2

Structure and Composition of the Board

The Constitution of the Parent Entity provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

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 the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Group, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and may be subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each annual general meeting.

The Board is presently comprised of three members, of whom two (a majority) are non-executive directors.

The Board has assessed the independence of its non executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that two of the non executive directors are independent.

The independent directors are Messrs Green and Elliott. The qualifications and experience of all Directors are set out in the Director's Report.

The Board does not have a separate Nomination Committee as the selection and appointment process for directors is carried out by the full Board. The directors consider that the Group is not of sufficient size to warrant a separate Nomination Committee.

Independent Professional Advice

Procedures are in place to allow each Director to seek external professional advice as considered necessary, at the Company's expense, provided that prior reasonable approval of the Chairman is obtained.

Corporate Governance Council Recommendation 3

Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct and Trading Policies for Directors and Executives

The Board has adopted the seven code of conduct principles that apply to all Directors and executives of the Group. The seven principles are:

- To act honestly, in good faith and in the best interests of the Group;
- Not use property, information or position, or opportunities arising from these, for personal gain or to compete with the Group;
- To keep confidential non-public information except where disclosure is authorised or legally mandated;
- To deal fairly with all of the Group's customers, suppliers, competitors and employees;
- Protect and ensure the proper and efficient use of the Group's assets for legitimate business purposes;
- To actively comply with and promote compliance with laws and regulations; and
- To encourage the reporting of unlawful or unethical behaviour.

In respect to executives of the Group as they are from time to time appointed by the Board, the above principles are embodied in the employment agreements of the individual executives.

Employees and consultants of the Group are provided with induction material at the time of appointment and/or engagement as the case may be. This material requires all employees and consultants to the Group to act appropriately when working for the Group within established guidelines aimed at attaining the highest ethical standards and corporate behaviour.

Security Trading Policy

The Board and executives are provided with regular information on their statutory responsibilities and restrictions in respect to trading in the Parent Entity's securities, and ramifications of being found in breach of these responsibilities and restrictions.

In addition to the provision of this information, the Board has adopted a formal Security Trading Policy thereby further enhancing governance concerning trading in the Parent Entity's securities.

MAGNA MINING N.L. AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Recommendation 4

Integrity in Financial Reporting

Managing Director and Chief Financial Officer

The Parent Entity does not presently employ either a Managing Director or a Chief Financial Officer. Instead the Parent Entity delegates the responsibility of preparation of the Group's financial reports to the chairman of directors and consultants.

Accordingly, whilst declarations in writing to the Board by both a Managing Director and Chief Financial Officer in relation to the Company's financial report as required by Recommendation 4.1, and, risk management as required by Recommendation 7.2 are not possible, the Board has obtained those declarations from an Executive Director and consultant responsible for the preparation of the Group's financial report.

Audit Committee

Early in the financial year the Board resolved to dissolve the Audit Committee due to the limited size and scale of the Group and its respective operations, thereby placing the responsibilities and role previously addressed by the Audit Committee on the full board of directors of the Parent Entity.

Financial Reporting

The Board is responsible for approving and monitoring financial reporting. The Board relies on consultants to monitor and report on the internal controls of the Group. Financial performance and position, and reports on internal controls are regularly considered by the Board.

Corporate Governance Council Recommendation 5

Timely and Balanced Disclosure

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Group's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

The Board delegates responsibility for interpreting and monitoring the Parent Entity's compliance with these continuous disclosure requirements to an Executive Director who is assisted by consultants engaged by the Board.

Corporate Governance Council Recommendation 6

The Board fully supports shareholder participation at general meetings of the Parent Entity and the external auditor is requested 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 auditors report. In addition the Company provides regular communications to shareholders through the following means:

- Announcements lodged with ASX;
- ASX Quarterly Activities & Cash Flow Reports;
- Half Yearly Reports;
- Annual Reports; and
- Annual General Meetings.

The Parent Entity posts all of the above communications, together with project and corporate information on its website at www.magnamining.com.au.

Corporate Governance Council Recommendation 7

Risk Management

The Board monitors and receives advice on areas of operational and financial risk and the control framework, and considers strategies for appropriate risk management arrangements.

Specific areas of risk identified and which are regularly considered by the Board include sovereign risk; foreign currency and commodities price fluctuations; operational risks, human resources; the environment; insurance risks; continuous disclosure obligations; and statutory, legal and ethical obligations.

MAGNA MINING N.L. AND CONTROLLED ENTITIES

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Recommendation 8

Encourage Enhanced Performance

Performance Evaluation

The performance of individual Directors is reviewed from time to time by the Board in accordance with a "Peer Review" procedure. Areas of unsatisfactory performance are raised with the Director concerned by the Board and monitored closely. In the event that unsatisfactory performance continues the Director concerned would be asked to resign from office.

The performance of executives is measured against pre-determined objectives set at the time of appointment and annually thereafter. Executive appointments are subject to an initial review period, and regular monitoring by the Board.

The Board will continually review its evaluation processes in order to ensure the effectiveness of the Board, any committees to which the Board delegates its powers, and of appointed executives.

Corporate Governance Council Recommendation 9

Remunerate Fairly and Responsibly

The Board is responsible for determining and reviewing the remuneration arrangements for themselves, within shareholder approved parameters, and of executives and consultants. It is also responsible for setting performance criteria, performance monitors, equity based remuneration schemes, incentive performance schemes, superannuation entitlements, and retirement and termination entitlements.

The Board's objectives in determining remuneration arrangements for its individual Directors and executives are to:

- Retain and motivate Directors and key executives;
- Attract quality members to the Board and management to the Group; and
- Provide performance incentives which allow executives to share the rewards of the success of the Group

The grant of equity based remuneration to Directors is on an ad hoc basis.

Corporate Governance Council Recommendation 10

Recognise the legitimate interests of Stakeholders

The Board acknowledges the rights of all stakeholders of the Group and through the adoption of the seven code of conduct principles (refer Corporate Governance Council Recommendation 3 above) considers itself compliant with this recommendation.