



STATEMENT OF CORPORATE GOVERNANCE

This statement outlines the main Corporate Governance practises that were in place throughout the financial year, unless otherwise stated.

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against the objectives of its corporate governance process listed below. The objectives of the corporate governance processes are to:

- maintain and increase shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory objectives.

Consistent with these objectives, the Board assumes the following responsibilities:

- developing initiatives for the augmentation, exploration and development of the Company's assets;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the shareholders; and
- identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

Beyond the matters identified above, the Board has delegated authority to achieve the Company's objectives and management of the Company's business activities to the Managing Director. The Managing Director is free to make all decisions which, in the Managing Director's judgement are reasonable having regard to the limits imposed by the Board. The Managing Director reports regularly in both a formal (monthly) and ad hoc basis on the progress and performance of the business. The Board monitors the performance of the Board through its regular Board meetings and its committees, in particular the annual meeting of the Remuneration Committee following finalisation of the Company's Annual Report.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully informed basis.

Directors, officers and employees are permitted to trade in the Company's securities only in accordance with the provisions of the Corporations Act and ASX Listing Rules. The Directors are under an obligation to report any dealings by them in the Company's securities and have signed an agreement to this effect.

1. Composition of the Board

Subject to the appointment requirements in the Articles of Association of the Company, the Company is committed to the following principles:

- the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

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2. Independent Professional Advice

Subject to the Chairman's approval (which is not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

3. Remuneration Committee

The Company has established a Remuneration Committee consisting of the two Non-Executive Directors, Lord Daresbury, Chairman of the Remuneration Committee, and Dr Michael Price. Details of these Directors' qualifications and attendance at Remuneration Committee meetings are set out in the Directors' Report.

Subject to the Companies Act, the ASX Listing Rules and the Company's Articles of Association the aggregate annual remuneration of Directors must not exceed £1,000,000. The determination of Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Director.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

The Remuneration Committee advises the Board on remuneration policies and practices generally, reviews and makes specific recommendations on the remuneration packages and other terms of employment of its Directors and senior executives and makes recommendations to the Board with respect to the following:

- Executive remuneration and incentive policy.
- The remuneration of the Managing Director and any other executive Directors, the Company Secretary and all senior executives reporting directly to the Managing Director.
- An executive incentive plan and an equity based incentive plan.
- The remuneration of Non-executive Directors.
- Superannuation arrangements.
- Recruitment, retention, performance measurement and termination policies and procedures for Non-executive Directors, the Managing Director and any other executive Directors, the Company Secretary and all senior executives reporting directly to the Managing Director.
- The disclosure of remuneration in the Company's public materials including ASX filings and the Annual Report.

4. External Audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.



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5. Audit Committee

The Company has an Audit Committee consisting of the two Non-Executive Directors, Dr Michael Price, Chairman of the Audit Committee, and Lord Daresbury. The Chairperson may not be the Chairperson of the Board. Details of these Directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report.

The Audit Committee has a documented charter, approved by the Board.

The Audit Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. The Audit Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the Group operates.

The Managing Director and CFO state in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 December 2010 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The Audit Committee reviews the performance of the external auditors on an annual basis and members of the Audit Committee normally meet with them during the year to:

- Discuss the external audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.
- Review the half year and preliminary final reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results.
- Review the draft annual and half year financial reports, and recommend Board approval of the financial reports.
- Review the results and findings of the audit, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made.

6. Identification and Management of Risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

7. Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards. The Company has adopted a formal Code of Business Conduct, a copy of which can be viewed on the Company's website. The Company has also established a set of guidelines ahead of adopting a formal Anti-Bribery and Corruption Policy.

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8. Policy Concerning Trading in the Company's Securities

Prior to the Company listing on the ASX, the Company circulated to all Directors a letter setting out the reporting obligations of the Company under the Listing Rules of ASX that requires all listed entities, including Sumatra Copper & Gold plc to disclose to ASX details of Directors' interests in securities, and in contracts relevant to securities. All Directors have entered into an agreement under which Directors are obliged to provide the necessary information to the Company to ensure that the Company is in compliance with these ASX Listing Rules.

The Group has established a policy relating to the trading of Company securities and has adopted the requirements of ASX Listing Rule 12.12 which restricts Directors and employees from trading in the Company shares. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Restricted Persons can only trade the Company's securities during specific trading windows. All periods outside the specific trading windows are closed periods where Restricted Persons are prohibited from trading in the Company's securities unless in special circumstances and with the approval of the Chairman.

Trading windows are the 60 days from the first trading day after each of the following:

- the day half year results are announced;
- the day full year results are announced; and
- the day of the Annual General Meeting.

9. Shareholder Communication

The Board recognises shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant information about their investment. To ensure this result, the Board is committed to maintaining the highest standards of disclosure.

In addition to its continuous disclosure obligations under ASX listing rules the Company:

- makes copies of all ASX announcements and presentations made by the Company available on the Company's website;
- allows any person wishing to receive email alerts of significant market announcements to subscribe for this service through the Company's website; and
- will have the Company's Directors and the Company's external auditor available for questions from shareholders at the Company's AGM.

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10. ASX Corporate Governance Recommendations

The Corporate Governance Principles and Recommendations of ASX ('ASX Recommendations') set out corporate governance guidelines for ASX listed companies. The Board has not formally adopted all of the ASX Recommendations on the basis that they do not consider that they are all appropriate for the Company given its size and status as a mineral exploration company.

The Board sets out below its 'if not, why not' report in relation to those matters of corporate governance where the Company's practise departed from the recommendations during the year.

Recommendation Reference - ASX Guidelines	Notification of Departure	Explanation for Departure
2.4	A Nomination Committee has not been formed.	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 the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.
4.2	The audit committee should be structured so that: <ul style="list-style-type: none"> It is chaired by an independent chair, who is not a chair of the Board. Has at least three members. 	The Board believes, given the size of the Board and the Company, that an audit committee consisting of two Non-executive Directors is appropriate.
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company is in the process of establishing these written policies.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company is in the process of establishing these written policies.
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.	Design and implementation of the risk management and internal control system will be a responsibility of management and management will be required to report whether those risks are being managed effectively. The Company is in the process of establishing these written policies and these policies will be disclosed on the Company's website.
8.2	Non-executive Directors should not receive options or bonus payment.	Options have been granted to Non-executive Directors both prior to the Company's ASX listing and during the year. Remuneration for Non-executive Directors moving forward will continue to be by way of fees and grant of options. The Board considers this to be in the best interests of the company until it has free cash flow from operations.