



WASHINGTON RESOURCES LIMITED

ACN 097 532 137

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of Directors (“Board”) of Washington Resources Limited (“Washington”) is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Washington. The Board supports a system of corporate governance to ensure that the management of Washington is conducted to maximize shareholder wealth in a proper and ethical manner. This statement has been placed on the Company’s website (www.washingtonresources.com.au).

ASX Corporate Governance Council Recommendations

In August 2007, the ASX Corporate Governance Council released its Corporate Governance Principles and Recommendations (“ASX Principles”). The ASX Principles, in conjunction with the ASX Listing Rules, require companies to disclose in their annual reports whether their corporate governance practices follow the ASX Principles on an “if not, why not” basis.

ASX Principle 2.4 requires listed entities to establish a nomination committee. During the year, the Company did not have a separately established nomination committee. The Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board’s charter.

ASX Principles 3.1 and 3.2 require the Company to make available a summary of the Company’s Code of Conduct and its Trading Policy and suggests that these should be posted on the Company’s website. These policies are posted on the Company’s website.

ASX Principle 4.2 states that the audit committee of a company should be comprised of at least three members who are non-executive directors and that the chair of that committee should be an independent director who is not the chair of the board. Currently, the Company’s Audit Committee is comprised of three Directors, one of whom is an executive Director. The Board considers that the Committee functions properly as an audit committee.

Pursuant to ASX Principle 5.2, the Company has a copy of the Company’s Continuous Disclosure Policy available publicly on the Company’s website.

ASX Principle 6.1 requires that the Company also makes available publicly a copy of its communications strategy. A copy of the Company’s Communications with Shareholders Policy is on the Company’s website.

ASX Principle 7.2 requires the Company publicly to disclose a description of the Company’s risk management policy and internal compliance and control system. These disclosures are on the Company’s website. ASX Principle 7.3 requires the chief executive officer (or equivalent) and chief financial officer (or equivalent) to state in writing to the Board 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. The Board currently receives a statement to this effect from the Managing Director and the relevant financial expert within management.

ASX Principle 8.1 states that the Board should establish a remuneration committee. The Company currently does not have a separately established remuneration committee. Given the number of Directors on the Board and the size of the Company, the Board considers that this function can efficiently be performed with full Board participation.

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ASX Principle 8.2 states that non-executive directors should not normally participate in schemes designed for the remuneration of executives and that non-executive directors should not receive options. The Board considers that the grant of options and other securities to Non-Executive Directors improves the ability of the Company to attract individuals with the skills and experience that the Company requires and is consistent with the policy of providing incentives to all Company officers to improve the Company's performance.

In relation to the above, the Company believes it has implemented suitable practices and procedures in respect of Corporate Governance considering the size of the Board and the size and maturity of the Company.

Roles of the Board and Management

The Board considers that the essential responsibility of the Directors is to oversee Washington's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include to:

- Appoint and review the performance of the Chairman and Managing Director and management;
- Develop with management and approve strategy, planning, exploration programs and major capital expenditure;
- Arrange for effective budgeting and financial supervision;
- Ensure that appropriate audit arrangements are in place;
- Ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately; and
- Report to shareholders.

The Board is responsible to shareholders for Washington's strategic direction, and the execution of the Company's overall objective, which is to increase long-term shareholder value. The size of the Board reflects the modest size of the Company, its business plans, and the scale of its operations as an early stage exploration/mining company. Only the Directors have the capacity to bind the Company.

Board Structure

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board must comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- The Board should not comprise a majority of executive Directors; and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The Company's Board meets the above criteria.

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The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Chair reviews the performance of all Directors each year.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Principles, the Board Charter requires the board to include a majority of non-executive independent Directors, a non-executive independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer. The Company meets these criteria.

In considering whether a Director is independent, the Board has had regard to the independence criteria in ASX Principle 2 and other facts, information and circumstances that the Board considers material.

Meetings of the Board

The Board meets at least six times a year to consider the business of Washington, its financial performance and other operational issues.

Retirement and Re-election

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates, with relevant qualifications, skills and experience. External advisers may be used to assist in such a process.

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

Nominations and appointment of new Directors

Recommendations of candidates for new Directors are made by the Board as a whole.

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Review of Performance

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Given the size and nature of the Company's activities the Board reviews the performance of Directors and the composition of the Board, at regular intervals during the year.

Directors' Remuneration

The remuneration of non-executive Directors is different from that of executives. Executive Directors receive a salary and may receive other benefits.

Non-executive Directors receive a set fee per annum, which may include their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Directors' fees, the Board takes into account any changes in the size and scope of Washington activities.

The Board will review the remuneration and policies applicable to all Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice and the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for Directors and senior executives are set out in the Directors' report.

Board Access to Information

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each Director may, with the prior written approval of the Chair, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board has established an Audit Committee to assist the Board in the discharge of its responsibilities and is governed by the Audit Committee Charter, as approved by the Board.

Audit Committee

The Board has an Audit Committee. The Committee monitors control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting.

The role of the Committee is to provide a direct link between the Board and the external auditors.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in

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financial statements.

The responsibilities of the Audit Committee include:

- Monitoring compliance with regulatory requirements;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- Liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

The Audit Committee reviews the performance of the external auditors on an annual basis and meet with them at least twice during the year. Nomination of auditors will be at the discretion of the Committee.

The members of the Audit Committee at the date of this report are:

Mark Burchnall (Director)

Grant Button (Director)

Robert Hair (Director)

Due to the size of the Company's operations and board it is not practicable to maintain an audit committee comprising of only non-executives Directors.

The Audit Committee also meets with and receives reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, Washington's accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts.

The Auditor attends, and is available to answer questions at, the Company's annual general meetings.

Auditor Independence

The Company has implemented procedures to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both work and non-audit services are set out in this annual report.

The Board requires that adequate hand-overs occur in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Business Risks

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Board is charged with implementing appropriate risk

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management systems within Washington as reported to it by management.

The Board monitors and receives advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk to be regularly considered at Board meetings include competition, intellectual property, changes in government regulation, technology changes, and human resources, integrity of data, statutory compliance and continuous disclosure obligations.

Share Trading

Under the Company's share trading policy, all employees and Directors of the Company and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time but subject to conditions surrounding periods prior to the publication of financial results.

In addition, in order to trade, Directors of the Company must advise the Chair of their intention to trade and must also have been advised by the Chair that there is no known reason to preclude them to trading in the Company's shares or other securities.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretaries have responsibility for overseeing and coordinating disclosure of information to the Australian Securities Exchange. The Company Secretaries also liaise with the Chair and the Managing Director in relation to continuous disclosure matters. The Chair is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Ethical Standards

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting Washington. Information is communicated to shareholders through the distribution of annual reports; and presentation to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by Washington throughout the year with respect to its activities are distributed widely via the Australian Stock Exchange and are posted on the Company's website.