

MACMIN SILVER LTD

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2008

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

Board of Directors and its Committees

The Board is responsible to shareholders for the overall Corporate Governance of the consolidated entity including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board is responsible for ensuring the maintenance of corporate governance policies and procedures having regard to the size and activities of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Chief Executive Officer (CEO);
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

Management is charged with the day to day operation and administration of the Company in accordance with the objectives and policies set down by the Board. The CEO is accountable to the Board for the performance of the management team.

The Board's role and the Group's corporate governance practices are being reviewed and improved as required.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment.

Arrangements put in place by the Board to monitor the performance of the Group's executives include:

- a review by the Board of the Group's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

All senior executives had their roles changed during the period and as such were subject to review on those occasions. A performance review calendar and standardised documents have been prepared for use through the Company in 2008/2009.

Composition of the Board

The Directors of the Company in office at the date of this statement and details of skills and experience are detailed in the Directors' Report.

The composition of the Board is determined in accordance with the Constitution, a copy of which is available at www.macmin.com.au or by contacting the registered office.

The Board should comprise directors with a broad range of expertise both nationally and internationally.

Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director.

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 quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of

MACMIN SILVER LTD

CORPORATE GOVERNANCE STATEMENT

activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Three of the five Directors, as noted in the Directors Report, are employees and therefore not independent. The independence of other Directors is reviewed annually having regard to the guidelines in the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations.

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees and individual Directors during each financial year. An annual review is undertaken in relation to the composition and skills mix of the Directors of the Company. A questionnaire is completed by each Director evaluating himself and other Board members, and the Board as a whole. The amalgamated response is reviewed by the Board. The annual review took place in May 2008.

The performance and composition of committees is reviewed annually.

Directors' Independence

The Board reviews annually the independence of directors having regard to ASX Corporate Governance Council Recommendation 2.1.

Materiality is determined on both quantitative and qualitative bases. An amount over 5% of annual turnover of the Company or Group or 5% of the individual director's net worth is considered material for these purposes.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the consolidated entity's expense. However, prior approval of the Chairman is required.

Audit Committee

An Audit Committee has been established and is documented in a Charter which is approved by the Board of Directors and is available at www.macmin.com.au or by contacting the registered office. In accordance with this Charter, all members of the Committee must be directors or qualified consultants. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were Messrs G.G. Lowder (Chairman), D.M. O'Neill and Kevin Rodgers, a partner of RodgersDart (Chartered Accountants). Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' report.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board regarding Directors' remuneration and for reviewing recommendations by management in relation to executives before submission to the Board.

The members of the Remuneration Committee were Independent Non-Executive Director, G.G. Lowder and Non-Executive Director, P.A. McNeil.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, organisation structures that seek to provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Ethical and Responsible Decision-making

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with customers, suppliers, advisors and regulators, competitors, the community and each other in each country where the consolidated entity operates.

The Company has established a Corporate Code of Conduct which is available at www.macmin.com.au or by contacting the registered office.

Dealings in Company Securities by Directors and Employees

MACMIN SILVER LTD

CORPORATE GOVERNANCE STATEMENT

The Company's share trading policy for Directors and employees is available at www.macmin.com.au or by contacting the registered office.

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the directors of the Company.

Disclosure of Information

Continuous Disclosure to ASX

The Company's Continuous Disclosure Policy is available at www.macmin.com.au or by contacting the registered office.

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Communication with Shareholders

The Company's policy regarding Communication with Shareholders is available at www.macmin.com.au or by contacting the registered office.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs.

All announcements and reports submitted to ASX are posted on the Company's website www.macmin.com.au.

The Company maintains an investor database to distribute significant announcements by email.

The Company's practice is to invite the auditor 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 auditor's report.

Risk Management Policy

Identification of Risk

The Board is responsible for the oversight of the Group's Risk Management Policy and Control Framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the CEO and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

The Company's has a Risk Management Policy which was adopted on 29 January 2008 and is available at www.macmin.com.au or by contacting the registered office.

During the year the Board received assurance from the Chief Executive Officer and the Chief Financial Officer 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.

There was no additional formal report by management to the Board as to the effectiveness of the Company's management of its material business risks. However, the Board calendar has been amended to require this report in future.

Integrity of Financial Reporting

The Company's CEO and Chief Financial Officer report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Remuneration Arrangements

MACMIN SILVER LTD

CORPORATE GOVERNANCE STATEMENT

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Details of the Company's remuneration policies are contained in the Directors' Report and information on the Remuneration Committee is contained in a separate heading within this Corporate Governance Statement and in the Directors' Report.

Interests of Other Stakeholders

The Company's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Company to achieve.

Environment

The consolidated entity aims to ensure that the highest standard of environmental care is achieved and has a written Environmental policy which is distributed to all employees.

ADOPTION OF ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Recommendations Version 1 for all or part of the year, as outlined in the Corporate Governance Statement, with the following exceptions:

Composition of the Board

Council Principle 2: Structure the Board to add value

Council Recommendation 2.1: A majority of the Board should be Independent Directors.

The Board considers that a majority of the Board is not independent in accordance with Recommendation 2.1, however the Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must and do absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of additional Independent Non-Executive Directors.

Council Recommendation 2.2: The chair should be an Independent Director.

The Company's Chairman, Mr R.D. McNeil, is considered by the Board not to be independent since he is an employee. However, the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.

Council Recommendation 2.3: The roles of chair and CEO should not be exercised by the same individual.

From 4 March 2004 to 19 May 2008 the roles of Chairman and CEO were not exercised by the same individual, however, since 19 May 2008 Mr Bob McNeil has held the position of Chairman and CEO pending the appointment of a replacement CEO.

MACMIN SILVER LTD

CORPORATE GOVERNANCE STATEMENT

Council Recommendation 2.4: The Board should establish a nomination committee.

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.

Integrity of Financial Reporting

Council Principle 4: Safeguard integrity in financial reporting.

Council Recommendation 4.2: The audit committee should be structured so that it:

- consists of only Non-Executive Directors;
- consists of a majority of Independent Directors;
- is chaired by an independent chair, who is not chair of the Board;
- has at least three members.

The Audit Committee does not consist of only Non-Executive Directors, nor a majority of Independent Directors. The Board considers the mix of an Independent Non-Executive Director (as Chairman), an Executive Director and an external consultant (chartered accountant) appropriate for the Company given the current size of the Board and role of the Committee.

Risk

Council Principle 7: Recognise and manage risk.

Council Recommendation 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.

There was no formal report by management to the Board as to the effectiveness of the Company's management of its material business risks. However, the Board calendar has been amended to require this report in future.

Remuneration

Council Principle 8: Encourage enhanced performance.

Council Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

The Non-Executive Directors should not receive options or bonus payments.

Non-Executive Directors were previously issued options on the same terms and conditions as Executive Directors as approved by shareholders in general meeting. These options expired on 31 December 2007.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to Non-Executives is an appropriate method to potentially supplement Non-Executive Directors' cash remuneration, which is kept relatively low (currently \$20,000 p.a.) and provide incentive without further use of cash while the Company is reliant upon shareholder funds to operate.