



## CORPORATE GOVERNANCE STATEMENT 2009

The Directors of Alcyone Resources Ltd ('Alcyone') (formerly Macmin Silver Ltd) support the establishment and ongoing development of good corporate governance for the Company.

Alcyone has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company has made it a priority to administer the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("**ASX Principles and Recommendations**").

Further information about the Company's corporate governance practices is set out on the Company's website at [www.alcyone.com.au](http://www.alcyone.com.au). In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Corporate Governance Statement;
- Board Charter;
- Nomination and Appointment of Directors Policy;
- Corporate Code of Conduct;
- Dealings in Company Securities Policy;
- Audit Committee Charter;
- Selection of External Auditor and Rotation of Audit Engagement Partners Strategy;
- Continuous Disclosure Policy;
- Communication with Shareholders Policy;
- Risk Management Policy;
- Remuneration Committee Charter; and
- Remuneration Policy.

This Statement sets out the corporate governance practices in place during the course of the financial year and as at the date of this report, which comply with the recommendations of the Corporate Governance Council unless otherwise stated. It should be noted that during the period 3 November 2008 to 13 October 2009 the Company was in voluntary administration and the powers of Directors suspended.

### **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 1**

#### ***Lay Solid Foundations for Management and Oversight***

##### **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 Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and Senior Executives. The Board relies on Senior Executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter and the responsibilities of senior executives and management is available on the Company's website.

#### **Board Processes**

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

#### **Evaluation of Senior Executive Performance**

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council. Due to the stage of development of the Company, it is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the Board intends to establish appropriate evaluation procedures. The Chairman currently assesses the performance of the Board, individual directors and key executives on an informal basis.

### **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 2**

#### ***Structure the Board to Add Value***

##### **Board composition**

The Constitution of the Company provides that the number of Directors shall not be less than three. 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 Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are 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 general meeting.

The Board is presently comprised of three members, one Non-executive Director and two Executive Directors.

The Board has assessed the independence of the Non-Executive Director in accordance with the definition contained within the ASX Corporate Governance Guidelines and has concluded that the current Non-Executive Director, Mr Charles Morgan is independent. He has no material business or contractual relationship with the Company, other than as a Director and no conflicts of interest could interfere with the exercise of independent judgement.

##### **Independent Chairman**

The Chairman is an independent Chairman. As such, Recommendation 2.2 of the Corporate Governance Council has been complied with.

The Board at this point in time does not have a majority of independent Directors. However the Board considers both its structure and composition are appropriate given the size of the Company and its current scale of operation.

##### **Roles of Chairman and Chief Executive Officer**

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such, the Company complies with Recommendation 2.3 of the Corporate Governance Council.

A profile of each Director, including their skills, experience and relevant expertise, and the date each Director was appointed to the Board is set out in the Directors' Report.

### **Nomination Committee**

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making.

A copy of the Nomination Committee Charter and the Policy and Procedure for Selection and Appointment of New Directors is available on the Company's website.

### **Evaluation of Board Performance**

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual Directors and key executives on an informal basis from time to time.

### **Education**

All Directors are encouraged to attend professional education courses relevant to their roles.

### **Independent Professional Advice and Access to Information**

Each Director has the right to access all relevant information in respect to the Company and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice on matters relating to him as a Director of the Company at the Company's expense, subject to prior approval of the Chairman.

## **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 3**

### ***Promote Ethical and Responsible Decision Making***

#### **Code of conduct**

The Board believes in and supports ethical and responsible decision making. It is expected that all Directors, managers and employees observe the highest standards of integrity, objectivity and business ethics in conducting its business, striving at all times to enhance the reputation and performance of the Company in respect of legal and other obligations to all legitimate stakeholders.

Accordingly, the Board acknowledges the rights of stakeholders and has adopted a Code of Conduct.

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company and as such complies with Recommendation 3.1 of the Corporate Governance Council.

A copy of the Company's Code of Conduct is available on the Company's website.

#### **Security trading policy**

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a policy on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. The policy also provides that notification of intended trading should be given to the Chairman prior to trading. A copy of the Policy for dealing in Company Securities is available on the Company's website.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities.

## **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 4**

### ***Safeguarding Integrity in Financial Reporting***

#### **Audit committee**

The Company does not have a separately constituted audit committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3 of the Corporate Governance Council. The full Board carries out the function of an audit committee. The Board believes that the Company is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

The Company has an Audit Committee Charter, which is currently administered by the full Board.

External audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit are discussed directly between the Board and the audit engagement director.

#### **External auditors**

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. Performance of the external auditor is reviewed annually by the Board. Auditor rotation is required by the Corporations Act 2001. 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 audit report.

A copy of the Selection and External Auditor and Rotation of Audit Engagement Partners Strategy is available on the Company's website.

#### **Financial reporting**

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director and Company Secretary who reports to the Board at the scheduled Board meetings.

## **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 5**

### ***Make Timely and Balanced Disclosure***

#### **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 Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

A copy of the Company's Continuous Disclosure Policy is available on the Company's website.

In accordance with ASX Listing Rules, the Company Secretary is appointed as the Company's disclosure officer.

## **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 6**

### ***Respect the Rights of Shareholders***

#### **Communications**

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear.

A copy of the Communication with Shareholders Policy is available on the Company's website.

In addition to electronic communication via the ASX web site, the Company publishes all ASX releases including Annual and Half-Yearly financial statements on the Company's website at [www.alcyone.com.au](http://www.alcyone.com.au).

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company Annual General Meeting for that purpose.

## **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 7**

### ***Recognise and Manage Risk***

#### **Risk Identification and Management**

The Board accepts that taking and managing risk is central to building shareholder value. The Board manages the Company's level of risk by adhering to a formal Risk Policy Statement. The Risk Management Policy Statement is available from the Corporate Governance section of the Company's website.

The Board has primary responsibility for oversight of the financial risks of the Company with particular emphasis on accounting, financial and internal controls. The Board will receive regular reports from the external auditor on critical policies and practices of the Company and in relation to alternative treatments of financial information.

The Company employs executives and retains consultants each with the requisite experience and qualifications to enable the Board to manage the risks to the Company. The Board reviews risks to the Company at regular Board meetings.

Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management  
The Company manages its activities within budgets and operational and strategic plans.
- Internal controls  
The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition, it obtains advice from the external auditors as considered necessary.
- Financial reporting  
Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.
- Operations review  
Members of the Board regularly visit the Company's exploration project areas, reviewing development activities, geological practices, environmental and safety aspects of operations.
- Environment and safety  
The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

#### **Risk Reporting**

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

### **Managing Director and Company Secretary Written Statement**

The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of the Company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporations Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

Given the Company's recent circumstances, the declarations have not been received by the Board for the year ended 30 June 2009, as required by Recommendation 7.3 of the Corporate Governance Council.

### **CORPORATE GOVERNANCE COUNCIL PRINCIPLE 8**

#### ***Remunerate Fairly and Responsibly***

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Disclosure of the details of the nature and amount of each element of Directors', including Non-Executive Directors, and Executive's remuneration is included in the financial statements.

#### **Remuneration committee**

The Board does not have a separate remuneration committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Due to the stage of development and size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives.

The full Board determines all compensation arrangements operating under the Remuneration Committee Charter, which is available on the Company's website. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

#### **Distinguish Between Executive and Non-Executive Remuneration**

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors contracting arrangements may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval and with vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings.

The Board ensures that, all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participate in any deliberations regarding their own remuneration or related issues. To the extent that additional executives are appointed in the future and the scope of the Company's activities expands, the Company will reconsider whether a change in the structure of executive remuneration is appropriate.