

Corporate Governance Statement

The Board of Directors recognise that good Corporate Governance is an integral part of business and as such has developed a Corporate Governance Framework. This framework has been designed to meet the recommendations outlined in the ASX Corporate Governance Council's (CGC) Corporate Governance Principles and Recommendations (Recommendations). The Recommendations articulate core principles and practices that the CGC believes underlie good corporate governance.

This Corporate Governance Statement addresses the Recommendations and provides an overview of QMAG's Corporate Governance Framework. The Recommendations, the relevant sections of this Statement which address each of the Recommendations and any departures from the Recommendations are summarised in the table below.

Unless otherwise stated, QMAG's Corporate Governance Practices were in place throughout the year ended 30 June 2011.

| | Recommendation | Comply Yes / No | Reference / Explanation |
|---|--|--------------------|---|
| Principle 1 – Lay solid foundations for management and oversight | | | |
| 1.1 | Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. | Yes | Page 8 |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | Yes | Page 11 |
| 1.3 | Companies should provide the information indicated in the guide to reporting on Principle 1. | Yes | Pages 8, 11 |
| Principle 2 – Structure the Board to add value | | | |
| 2.1 | A majority of the Board should be independent directors. | Yes | Page 9 |
| 2.2 | The chair should be an independent director. | No | Page 9 |
| 2.3 | The roles of the chair and chief executive officer (CEO) should not be exercised by the same individual. | Yes | Page 9 |
| 2.4 | The Board should establish a nomination Committee. | Yes | Page 10 (CGAR Committee) |
| 2.5 | Companies should disclose the process for evaluating the performance of the Board, its Committees and individual directors. | Yes | Page 11 |
| 2.6 | Companies should provide the information indicated in the guide to reporting on Principle 2. | Yes | Pages 9, 11 |
| Principle 3 – Promote ethical and responsible decision-making | | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the company's integrity. • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes | Page 11 |
| 3.2 | Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. | No | Not applicable as QMAG is not a listed entity |
| 3.3 | Companies should provide the information indicated in the guide to reporting on Principle 3. | Yes | Page 11 |
| Principle 4 – Safeguard integrity in financial reporting | | | |
| 4.1 | The Board should establish an audit Committee. | Yes | Page 10 |
| 4.2 | The audit Committee should be structured so that it: <ul style="list-style-type: none"> • Consists only of 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. | Yes | Page 10 |

Corporate Governance Statement (Continued)

| | Recommendation | Comply Yes / No | Reference / Explanation |
|--|--|----------------------------|------------------------------------|
| 4.3 | The audit Committee should have a formal charter. | Yes | Page 10 |
| 4.4 | Companies should provide the information indicated in the guide to reporting on Principle 4. | Yes | Page 10 |
| Principle 5 – Make timely and balanced disclosure | | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | No | QMAG is not a listed entity |
| 5.2 | Companies should provide the information indicated in the guide to reporting on Principle 5. | No | QMAG is not a listed entity |
| Principle 6 – Respect the rights of shareholders | | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Yes | Page 12 |
| 6.2 | Companies should provide the information indicated in the guide to reporting on Principle 6. | Yes | Page 12 |
| Principle 7 – Recognise and manage risk | | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes | Pages 8, 10, 12 |
| 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. | Yes | Page 8, 12 |
| 7.3 | The Board should disclose whether it has received assurance from the CEO [or equivalent] and the Chief Financial Officer (CFO) [or equivalent] that the declaration provided in accordance with section 295A of the <i>Corporations Act</i> 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. | Yes | Page 12 |
| 7.4 | Companies should provide the information indicated in the guide to reporting on Principle 7. | Yes | Page 8, 10, 12 |
| Principle 8 – Remunerate fairly and responsibly | | | |
| 8.1 | The Board should establish a remuneration Committee. | Yes | Page 10 |
| 8.2 | Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives. | Yes | Page 10 |
| 8.3 | Companies should provide the information indicated in the guide to reporting on Principle 8. | Yes | Page 10 |

Corporate Governance Statement (Continued)

THE ROLES OF THE BOARD AND MANAGEMENT

QMAG's Board acknowledges its accountability to shareholders to ensure their interests are protected, taking into account the interests of other relevant stakeholders, including customers, employees, suppliers and the community.

The Board Charter establishes the relationship between the Board and management and describes in detail their respective roles and responsibilities. The Board Charter is available on the company intranet and a summarised version on the company website.

The Board's role is to govern QMAG rather than to manage it. In governing QMAG, the Directors must act in the best interests of QMAG. It is the role of senior management to manage QMAG in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of QMAG. It is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of QMAG. The Board must also ensure that QMAG complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Charting the overall business strategy and direction, strategic, financial and operational plans and performance, including the approval of business proposals for material capital investments and any material changes to the organisational structure or direction of QMAG;
- Overseeing compliance with risk management requirements including, but not limited to, the annual review and approval of QMAG's risk management plans and Corporate Governance framework and their associated policies, controls and accountability systems;
- Appointing the Managing Director (MD), including annual performance reviews against key performance indicators;
- Ratifying and approving the appointment, remuneration or the removal of the Chief Financial Officer and Company Secretary and senior executives, as recommended by the MD;
- Planning Board and executive succession;
- Considering matters outside the delegated authorities given to management;
- Appointment of the external auditors and review of their annual scope of work;
- Approving and monitoring of financial and other management reporting including the review of half-yearly and annual financial statements; and
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions.

The Board has delegated to management responsibility for:

- Developing corporate strategies for consideration by the Board;
- Implementing the strategies and policies approved by the Board;
- Marketing of QMAG's product, including business development and identification of new business opportunities;
- Maintaining effective risk management systems and keeping the Board fully informed about material risks;
- Developing QMAG's annual budget and managing the day-to-day operations within the budget;
- Human resources, including recruitment, training and development and performance evaluation; and
- Ensuring appropriate systems and resources are in place to meet the needs of the business.

Further details relating to the delegation of the Board's authority to management is set out in the company Delegations of Authority manual, which is available on the company intranet.

BOARD STRUCTURE

At the time of this report the Board is comprised of 6 non-executive Directors, including the Chair, together with the Managing Director. The Board membership is within the prescribed number of Directors as per the Board Charter.

The Board has been structured to ensure it has the comprehensive range of knowledge required for a proper understanding of, and competence to deal with, current and emerging issues within QMAG and to exercise independent judgement. The Board is committed to spending sufficient time in discharging its responsibilities and duties. All Directors bring specific skills and experience that add value to QMAG. The balance of skills and experience of the Board is reviewed by the Corporate Governance, Appointments and Remuneration Committee.

Corporate Governance Statement (Continued)

The names of the Directors in office at the date of this report and their respective service periods are as follows:

| Name | Years of Service |
|---------------------|------------------|
| Mr James McClements | 6 |
| Mr Robert Auld | 5 |
| Mr Ronald Beevor | 6 |
| Mr Michael Dean | 6 |
| Mr David Manchester | 6 |
| Mr John Reid | 6 |
| Mr Alan Roughead | 6 |

There has been no change to Board membership during the year. Board meetings are normally held three times per year with additional meetings scheduled as required. During the past year the Board met on five occasions with all Directors attending each meeting.

DIRECTOR INDEPENDENCE

The Board has reviewed the position and association of each of the Directors and believes that the Board is composed of a majority of independent, non-executive Directors. The Chair is separate from the role of Managing Director. Potential conflicts of interest or related party transactions are discussed and disclosed, if necessary, at normal scheduled Board meetings.

When determining a non-executive Director's independence, the Board assesses whether the Director is independent of management and free of any material business or any other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board has determined, with the exception of Mr James McClements, that all the non-executive Directors are independent.

Mr James McClements is a non-executive Director and the Chair, and is also the Managing Partner of QMAG's major shareholder, Resource Capital Fund III L.P., and as such does not meet QMAG's criteria for independence. However, his experience and knowledge of the company and industry makes his contribution to the Board such that it is appropriate for him to remain in his position.

Mr Robert Auld is a non-executive Director and was also Director of the third MHF Expansion Project completed and commissioned in October 2010. As such he participated in management forums and processes in relation to the 3rd MHF Expansion Project and was judged to be not independent during that time. Mr Auld's appointment as Director of the third MHF project was completed in late 2010 on completion of the Project and he is now once more judged to be an independent non-executive Director.

INDEPENDENT PROFESSIONAL ADVICE

Every Director of the Board is entitled, with prior written approval by the Chair, to seek independent professional advice, including legal, accounting and financial advice, at QMAG's expense, on any matter connected with the discharge of their responsibilities.

BOARD COMMITTEES

To assist in carrying out its responsibilities, the Board has established three standing Committees. They are:

- Audit and Risk Management (ARM) Committee;
- Corporate Governance, Appointments and Remuneration (CGAR) Committee; and
- Health, Safety, Environmental and Technical (HSET) Committee.

Each of these Committees has a charter as set out in the Board Charter which is available on the company intranet. The Committees review matters on behalf of the Board and make recommendations for consideration by the Board. Membership of these Committees is reviewed at least every two years and a decision made as to whether it is appropriate for members to continue or for another Director to take their place.

Audit and Risk Management (ARM) Committee

The ARM Committee assists the Board to monitor QMAG's internal control and risk management policies and procedures and to ensure the integrity of QMAG's financial reporting.

In particular, the ARM Committee has the following duties: review and recommend financial statements for approval; monitor and review the propriety of related party transactions; oversee the external and internal audit functions; oversee the risk management system; and, communicate and assess the effectiveness of all matters within its Charter.

Corporate Governance Statement (Continued)

Audit and Risk Management (ARM) Committee (continued)

The ARM Committee consists of not less than three members. Members are appointed by the Board from amongst the non-executive Directors, a majority of who are also independent.

At the date of this report the ARM Committee consisted of the following members:

- Mr Ronald Beevor (Chair);
- Mr James McClements; and,
- Mr Michael Dean.

All members can read and understand financial statements and are financially literate. The Chair, Mr Ronald Beevor, has extensive experience in financial and accounting matters.

ARM Committee meetings are held not less than twice a year to enable the Committee to undertake its role effectively. The Chair is required to call a meeting if requested to do so by any member of the Committee, the MD or the external auditor. The ARM Committee held two meetings during the year, in August 2010 and February 2011 that were attended by all members.

Corporate Governance, Appointment and Remuneration (CGAR) Committee

The CGAR Committee ensures that the Corporate Governance structure and processes within the company and the group remain appropriate. This includes a requirement for the Committee to review the Company's Corporate Governance Statement and processes.

The CGAR Committee may review and recommend to the Board amendments to the QMAG Limited Board Charter and policies to ensure they remain current and continue to properly reflect the company's operating risks and requirements.

The CGAR Committee assists the Board in ensuring that the Board is comprised of individuals who are able to discharge the responsibilities of Directors and to ensure QMAG has appropriate remuneration levels and policies to attract and retain Directors and senior executives who will best contribute towards achieving positive outcomes for QMAG and its stakeholders.

The CGAR Committee is appointed by the Board from among the non-executive Directors and consists of not less than three members with the majority being independent Directors. At the date of this report the CGAR Committee consisted of the following members:

- Mr James McClements (Chair);
- Mr David Manchester; and
- Mr John Reid.

CGAR Committee meetings are usually held not less than two times a year to enable the Committee to undertake its role effectively. During the past year the CGAR Committee held two meetings and all members attended except for Mr John Reid (once).

Health, Safety, Environmental and Technical (HSET) Committee

The HSET Committee assists the Board to ensure QMAG has adequate health, safety and environmental policies, management systems and plans and complies with these and other legislative requirements. It also has responsibility to review major capital projects, plant operations and geological, exploration and ore reserves planning and reporting.

The HSET Committee is comprised of at least three independent Directors. At the date of this report the HSET Committee consisted of the following members:

- Mr Robert Auld (Chair);
- Mr David Manchester;
- Mr John Reid; and,
- Mr Michael Dean.

HSET Committee meetings will be held not less than two times a year to enable the Committee to undertake its role effectively. During the year the HSET Committee met on two occasions with all members attending.

Corporate Governance Statement (Continued)

DIRECTOR AND EXECUTIVE PERFORMANCE REVIEW

The CGAR Committee is responsible for monitoring the skills and experience of existing Directors. The Board considers the ongoing development and improvement of its own performance as a critical input to effective governance. As a result, the Board undertakes an annual evaluation of Board and Director performance. The review is based on a number of objectives for the Board and Directors that are established. The objectives are based on corporate requirements and any areas for improvement identified in previous reviews. Every two years, the Board will consider engaging an independent expert to facilitate the evaluation process. At this stage the evaluation of Board and Director performance is managed and performed by the Chair.

All senior executives at QMAG are subject to an annual performance evaluation based on key performance indicators, targets and goals from the annual budget, and responsibilities and duties outlined in individual position descriptions which are aligned with objectives in QMAG's Strategic Plan.

REMUNERATION

Executive Remuneration

QMAG is committed to remunerate its executives in a manner that is market-competitive and consistent with good industry practice as well as supporting the interests of shareholders. Consequently, the remuneration of executives may comprise of the following:

- Fixed salary;
- A performance bonus designed to reward actual achievement of performance objectives by the individual and for materially improved company performance;
- Participation in a company share option scheme sponsored by the ultimate parent entity; and
- Statutory superannuation and leave entitlements.

Non-executive Director Remuneration

Non-executive Directors are paid fees approved by shareholders. Non-executive Directors do not receive performance based bonuses, but may participate in a company share option scheme sponsored by the ultimate parent entity.

BUSINESS CONDUCT

QMAG has adopted a QMAG Charter to guide staff and inform stakeholders on QMAG's business purpose, key strategies, core values, company commitments and overall business goals and measures of success. QMAG has also adopted a Code of Business Conduct and Ethics to ensure the highest standards of ethical business behaviour are maintained throughout QMAG. Specifically and in accordance with the Code of Business Conduct, all Directors, senior executives and employees are expected to:

- Comply with all laws, regulations, policies and procedures;
- Act with honesty and integrity;
- Apply and use their corporate position and resources in a responsible manner;
- Maintain the confidentiality of all QMAG business information unless authorised for release;
- Use all reasonable endeavours to avoid conflicts of interest between their private interests and business dealings;
- Practice a culture of 'fair dealing' where the rights and dignities of each other are respected;
- Refrain from soliciting gifts or benefits from other parties;
- Protect business assets and ensure they are only used in an efficient manner and for business purposes; and
- Not to make donations to any political party without express Board approval.

FINANCIAL REPORTING

QMAG prepares special purpose financial statements in accordance with the Corporations Act 2001, applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Board is committed to providing financial statements that presents fairly QMAG's financial position and prospects.

The Managing Director and the Chief Financial Officer certify to the Board, in writing, that QMAG's Financial Statements and Reports present a true and fair view, in all material respects, of QMAG's financial condition and operational results and are in accordance with relevant Accounting Standards.

Corporate Governance Statement (Continued)

DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Board has designated the Managing Director and the Company Secretary as the key persons responsible for overseeing and coordinating disclosure of information to the general public and regulatory authorities. QMAG respects the rights of shareholders and to facilitate the effective exercise of those rights the company is committed to: effective and regular communication with shareholders; providing ready access to company information and proposals; ensuring ease of attendance at general meetings; and, facilitating the availability of the external auditors to answer shareholder questions.

RISK IDENTIFICATION AND MANAGEMENT

QMAG recognises the importance of managing risk and has established systems to manage risk. The Audit and Risk Management Committee has responsibility for the overall risk management function and has established appropriate policies and procedures. These are periodically reviewed by the Board. The Board ensure that management operate and maintain a risk management and internal control system to manage QMAG's material business risks and report to it on whether those risks are being managed effectively.

As part of the process of approving the financial statements at each reporting date the Managing Director and other responsible senior executives provide statements in writing to the Board on the quality and effectiveness of the company's risk management and internal compliance and control systems.

