



STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES

1. Introduction

The directors and management of K2 Asset Management Holdings Ltd and its controlled entities (“the Company”) are committed to maintaining best practice in corporate governance. This statement of principles outlines the approach taken by the board in managing the affairs of the Company and in fulfilling its duties to meet the interests of the Company as a whole.

Corporate governance is:

“...the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.”

Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.”

This statement sets out the corporate governance structure of the Company established for the purposes of ensuring that the Company is properly and efficiently directed and managed for the benefit of the shareholders of the Company and its other stakeholders. In particular, regard is had to the ten principles of corporate governance recommended by the ASX Corporate Governance Council in March 2003 in its document “Principles of Good Corporate Governance and Best Practice Recommendations”. In essence the ten principles seek to address:

- (a) the roles of the board and management;

- (b) board structure;
- (c) the promotion of ethical and responsible decision-making;
- (d) integrity in financial reporting;
- (e) timely and balanced disclosure;
- (f) respect for the rights of shareholders;
- (g) recognition and management of risk;
- (h) encouragement of enhanced performance;
- (i) fair and responsible remuneration;
- (j) recognition of the legitimate interests of stakeholders.

These principles are addressed, and become part of the Company’s corporate governance framework, through the adoption and implementation of a number of policies which are summarised below.

This statement and the principles enunciated in it also apply to entities controlled by the Company and, unless inconsistent with the context, any reference to the Company includes those controlled entities.

2. Statement of principles

2.1 The Board of Directors

The board is elected by the shareholders to represent all shareholders. It is a director’s responsibility, in all decisions he or she is called upon to make concerning the Company’s affairs, to conscientiously weigh the interests of shareholders in light of the circumstances and to consider the effects of such decisions on the interests of all shareholders.

2.2 Role of the Board and Management

The board is to exercise effective control over management to optimise the Company’s performance in the interests of the Company as a whole.

The manner in which the board operates is set out in the board charter of the Company which is found on its website (www.k2am.com.au) under shareholder information, in the corporate governance section under the heading “Board



Charter". In general terms the board charter covers the following:

- (a) duties and responsibilities of the board;
- (b) powers of the board;
- (c) delegation to senior management;
- (d) number of directors;
- (e) term of office - non-executive directors;
- (f) term of office - executive directors;
- (g) terms of appointment;
- (h) responsibilities of the chair;
- (i) independence of directors;
- (j) board proceedings;
- (k) board committees and delegation;
- (l) assessment and evaluation of board performance;
- (m) related party transactions;
- (n) disclosures of interests;
- (o) independent advice and access to information;
- (p) directors' indemnity and insurance.

2.3 Board Committees

It is the role of the board of directors to monitor the management of the Company and the board may establish appropriate committees to assist in this role. At the date of this statement, the board has not established any committees.

In the event that any committee is established by the board, the board may adopt a committee charter in respect of the committee, addressing the composition, responsibilities, administration and any other matters the board determines relevant to such committee.

2.4 Risk Management

Risk is inherent in business and must be identified and managed. The board has adopted a risk management policy. The risk management policy (or a summary of it) can be found on the Company's website (www.k2am.com.au) in the corporate governance section under the heading "Risk Management Policy".

2.5 Share Dealings

The board recognises that it is important in maintaining public confidence that there be a clear policy governing trading in the Company's shares by persons who may have access to restricted Company information.

The board has adopted an appropriate policy on dealing in Company securities by directors and senior management of the Company. The share dealings policy can be found on the Company's website (www.k2am.com.au) in the corporate governance section under the heading "Share Trading Policy".

2.6 Continuous Disclosure and Shareholder Communication

The Company has an objective of honest, prompt and open disclosure of information in dealing with its stakeholders, subject to appropriate commercial considerations in dealing with competitive or confidential information. Such disclosure may exceed statutory requirements. The Company's disclosure and information policy can be found on the Company's website (www.k2am.com.au) in the corporate governance section under the heading "Continuous Disclosure and Shareholder Reporting Policy".

2.7 Code of Conduct

The behaviour of all directors and employees of the Company will meet the highest standards. The minimum standards to be achieved are set out in a code of conduct which has been adopted by the board and each director individually and is being adopted by all staff. The code of conduct can be found on the Company's website (www.k2am.com.au) in the corporate governance section under the heading "Code of Conduct".

3. Review of statement

The board will review this statement every three years or more often as the board determines and make any changes it determines necessary or desirable.

4. Access to the statement

This statement will be available for viewing by any person on the Company's website or a copy will be sent on request.