

CORPORATE GOVERNANCE STATEMENT

1.1 Corporate governance

The Board is responsible for the overall corporate governance of the Company, including adopting the appropriate policies and procedures and seeking to ensure Directors, management and employees fulfil their functions effectively and responsibly.

The Board has adopted corporate governance policies and practices by references to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (**ASX Recommendations**). Where the Company's practices depart from the ASX Recommendations, the Company intends to work towards compliance but does not consider that all practices are appropriate for the size and scale of the Company's operations. The board's policies and charters are set out in full in the corporate governance charter which can be found on the website under investor relations – www.fluorotechnics.com/corp_gov.php. The recommendations are summarised below.

1.2 Management and oversight

The Board

The company has established functions reserved for the board. These include:

- Strategy, including budget approval, performance, capital management and major capital expenditure.
- Risk management.
- Appointment and removal of the CEO and ratifying appointment of executives reporting to the CEO, executive remuneration, succession planning and delegating authority to the CEO.
- Monitoring the performance, including assessment of executives, the board and setting goals.
- Corporate governance.
- Board committees – establishing committees and their charters.

Details are available on the company's website, including the board charter.

The board has established functions delegated to senior management, via the CEO. These include:

- Management, through the CEO, is responsible for the day-to-day management of the company and is restricted as follows:
 - CEO has authority to commit the company to items with obligations not exceeding A\$250,000.
 - All proposed business acquisitions, irrespective of size, must be approved by the board.
 - All media releases, ASX announcements and other information to be provided to analysts must be subject to review by the Chairman.

Board and Committees

The board, through the Chairman, will carry out an annual evaluation to review the:

- Performance of the board compared to the requirements of the charter
- Setting of goals and objectives
- Performance of the committees
- Charter as required

The last board performance review was carried out in November 2009 by the Chairman, in conjunction with the Chairman of the Remuneration and Nomination Committee.

The board may, from time to time, use an independent adviser to assist in the reviews.

Management

The board has established the principles for evaluating the performance of senior executives. These will be reviewed during the coming year under the charter of the Remuneration and Nominations Committee and following the restructure of the company on completion of an acquisition.

1.3 Structure of the Board

Composition and balance of skills of directors

The composition of the board is critical for the success of the company and the number of directors and their skills will vary from time to time, depending on the circumstances of the company, as follows:

- The board will determine the appropriate number of directors from time to time.
- The board will comprise a variety of persons with diverse skills and experience relevant to the company and its circumstances at the time, and have regard to the geographical spread of the company's operations.
- The CEO will be a director and will also have the title of Managing Director.

Independence of Directors

The board will review annually whether or not each director is independent. It believes generally, that the best interest of the company will be served by the majority of directors being independent.

The board currently contains three non-independent directors.

The status of each director is as follows:

- | | |
|---|-----------------|
| ▪ Richard Trevillion – executive chairman & CEO | non-independent |
| ▪ Richard Taylor – executive director | non-independent |
| ▪ Brian Damian Pethica – executive director | non-independent |

The definition of director independence used by the company is set out in the ASX corporate governance recommendation 2.1. Materiality levels will be determined in each case by the board, having regard to the circumstances at the time.

Appointment of Directors

If the board determines that there is a need to appoint another director for any reason the Remuneration and Nomination Committee will:

- Determine the skills, experience, qualifications appropriate, having regard to those existing directors.
- Agree the process to seek such a person.
- Set a timetable to appoint, having regards to the timing of the AGM and the requirements of the constitution.

Access to Independent Advice

Directors may obtain independent experts' advice to enable them to fulfil their obligations, at the expense of the company, and after obtaining approval from the Chairman.

Director Indemnification, Access and Insurance

To enable directors to fulfil their obligations, they must have access to information. It is also considered appropriate that directors, during and after their period of service, have access for a proper purpose, including defending a legal action, to the company's records. It is also common practice for directors to be indemnified out of the assets of the company, except where there has been a wilful breach of duty. It is also common practice for companies to maintain Directors' and Officers' Liability Insurance.

It is a policy of this board that deeds of protection, covering the above matters (and other appropriate matters) will be entered into with each of the directors. Shareholder approval was obtained at the 2008 AGM to enter into deeds with the existing directors and to enter deeds with future directors. During the year, Richard Trevillion and Brian Damian Pethica were granted deeds of protection following their appointment as directors.

Performance Review

The company has established a Remuneration and Nomination Committee. Details of the charter of the committee are available on the website.

1.4 Decision making

Code of Conduct of Directors

The directors are expected to use their skills commensurate with their knowledge and experience to increase the value of the company. To meet this obligation they must act honestly and should:

- Execute due care and diligence.
- Not misuse information or their position for their own gain.
- Avoid or fully disclose conflicts.
- Ensure that the market is fully informed of all matters that require disclosure.
- Actively promote the reputation of the company.

Conflicts of interest that arise must be immediately disclosed and addressed by eliminating the conflict, abstaining from participation or, in exceptional cases, resigning.

Directors must comply with the law on disclosure of benefits and related party transactions. Directors must have access to all relevant information on the company and this is to be sought through the CEO or agreed arrangements.

All directors must maintain strict confidentiality in relation to company matters.

Directors must be aware of insider trading laws and strictly abide by the law and company policies.

Directors are to ensure that the financial statements are drawn up to comply with Australian Corporations Law and Accounting Standards.

Directors must also be aware of environmental impacts of the company's business and ensure the health, safety and wellbeing of the employees.

Deeds of access and indemnity insurance have and will be entered into with the directors to the extent permitted by law.

Code of Conduct for Employees

The purpose of the code of conduct is to:

- Ensure compliance with all relevant legislation.
- Fulfil the reasonable expectation of the communities in which the company operates by acknowledging the rights of various stakeholders.
- Enhance the reputation of the company with the financial and broader community.
- Improve the performance of the company.
- Inform employees of the board's expectation of them, including the obligations of raising and pursuing concerns of non-compliance or unethical behaviour, and
- Assisting in achieving the company's vision.

The Code of Conduct sets out the Company's commitment to doing business with employees, customers, suppliers, the community and other stakeholders in accordance with the Company's core values of:

- Quality is paramount
- Innovate and be creative
- Integrity and ethics
- Respect and support
- Communicate and build consensus
- Creating value

The Code of Conduct also sets out the:

- Responsibilities of all employees, special responsibilities of leaders and how to get advice.
- Expected conduct in various aspects of the daily working life including:
 - Diversity and equal opportunity
 - Safety, health and welfare
 - Fair trading – customers, suppliers, competitors
 - Conflicts of interest
 - Confidentiality of information
 - Privacy
 - Company resources
 - Reporting a breach of the code of conduct

- Consequences of breaching the code of conduct

Diversity Policy

The Company is committed to complying with the diversity recommendations published by ASX's Corporate Governance Committee by Establishing measurable objectives for encouraging gender diversity; Promoting diversity among employees and senior management throughout the Company; and Keeping shareholders informed of the Company's progress towards implementing and achieving its diversity objectives in its Annual Report.

The Company recognises the benefits arising from employee, senior management and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

The Company will facilitate a diverse workforce by ensuring applicants for employment are fairly considered according to their skills, qualifications, abilities and aptitudes and without discrimination based on gender, age, ethnicity or cultural background. As activities expand, the Company plans to establish a more formal diversity policy appropriate to its exploration and mining activities in remote areas of Australia.

There are currently no females appointed to the Company's Board, employed in senior or any other positions in the Company.

Trading in Securities

Directors and senior executives must first notify the Chairman of intention to trade in the company's securities.

Subject to the below, the recommended time (in terms of avoiding suggestions of insider trading) for any Director or employee to deal in Company securities is during any period other than the following:

- 1 July until commencement of trading on the day after the date of the Company's full-year profit announcement;
- 1 January until commencement of trading on the day after the date of the Company's half-year profit announcement, or
- provided that the person is not in possession of any inside information relating to those securities.

This policy relates to directors and executives, spouses and other parties over whom they have significant influence.

Interaction with the Media

To ensure clear and consistent messages to the stock exchange and the media, unless specifically approved otherwise, the Chairman and CEO are the only authorised spokespersons of the company.

1.5 Integrity in Financial Reporting

Certificate from CEO / CFO

The CEO / CFO have, provided a certificate to the board regarding the financial reports providing a true and fair view and being in accordance with accounting standards.

Audit Committee

The company has established an Audit and Risk Committee. The committee comprises only non-executive directors, the chairman is an independent director and not the chairman of the board and the majority of the members are independent directors. The Company has not complied with this policy during the current transition period.

The CEO attends meetings of the committee, by invitation.

The auditor attends meetings as agreed, including the meetings relating to the half-year and full-year financial statements.

The charter of the committee is on the company's website.

The responsibility of the committee includes:

- Risk management – ensuring policies are in place to identify, monitor treatments and to approve management's risk management plan.
- Financial reporting – including quarterly, half-year and full-year financial reporting and review of significant accounting policies.
- Reporting to the board on significant issues and making recommendations, as appropriate.
- Assessment of the adequacy of accounting, financial and internal controls, including receiving reports from the auditors on those matters.
- Appointment and assessment of external auditors and agreeing the scope of the external audit.

- Pre-approval of audit and non-audit services to be provided by the external auditor.
- Monitor the process in place to ensure compliance with laws and regulations.
- Ensure procedures are in place to address complaints regarding accounting matters.
- Assess performance of the committee annually.

External Auditors

The committee is responsible for:

- Selection of an auditor for recommendation to the board and shareholders.
- Reviewing the performance of the auditor.
- Approving non-audit work to be carried out by the auditor to ensure that it will not compromise the independence of the audit.
- Ensuring appropriate rotation of the audit engagement partner to comply with legislation.

1.6 Timely and balanced disclosure

The Company has established written policies designed to ensure compliance with ASX Listing Rules and Corporations Act continuous disclosure requirements.

The policies identify the executives of the company accountable for compliance with the regulations and the company policy.

The policy is available on the company's website.

The policy is designed to provide shareholders and the market with timely, direct and equal access to information issued by the company and to promote investor confidence in the integrity of the company and its securities.

ASX announcements and press releases are available on the company's website

1.7 Rights of shareholders

Communication Policy

The board will seek to ensure that shareholders are informed of all major developments affecting the company's state of affairs through:

- The annual report.
- Disclosures made to ASX.
- Notices and explanatory memorandum of the Annual General Meetings.
- The company's website, www.fluorotechnics.com.
- The engagement partner of the auditor is to be present at the AGM and be available to answer relevant questions.

All ASX and press releases and other documents (e.g. prospectuses, rights issue documentation, etc.) are available on the company's website.

Shareholders are able to have access to their shareholder account in the register of members by accessing the Boardroom Pty Limited website – www.boardroomlimited.com.au, then InvestorServe. In addition, a whole range of registry forms are available under "Forms" on the Boardroom homepage, to assist shareholders.

1.8 Recognise and manage risk

Certificate from CEO / CFO

The CEO / CFO are required to provide a certificate to the board advising that the statement on the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the board of directors. The certificate is also required to state that, to their knowledge, the risk management and internal compliance and control systems of the company and consolidated entities, are operating efficiently and effectively in all material respects.

Risk Management and Internal Compliance and Control

The board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policy via the Audit and Risk Committee. This includes:

- Establishing and monitoring the company's strategies, goals and objectives.
- Identifying and measuring risks that might impact on the achievement of those strategies, goals and objectives.

- Formulating risk management strategies and treatments to manage the identified risks.
- Monitoring and improving the effectiveness of risks and internal compliance controls.

Audit and Risk Committee

The audit and risk committee has been through an extensive process following Australian Standard 4360 on risk management.

The committee has agreed to periodically review the identification and treatment of risk to ensure they are still appropriate.

Management is expected to inform the Audit and Risk Committee of any situations that arise that may warrant a review of any risk and/or its treatments.

The general area of risks covered in the above process included:

- Sales.
- Working capital.
- New products.
- Competition.
- Production.
- Human resources and key personnel.
- Foreign exchange rates.
- Intellectual property.
- Quality systems.
- Financial controls.
- Stakeholders.

Internal Controls

Internal controls have been developed and will be continually under review and improved as necessary as an important element in the treatment of many risks.

1.9 Remuneration Policies

Non-Executive Directors

Fees paid to non-executive directors are generally be around the market average and such fees would be inclusive of statutory superannuation. Directors will not be entitled to a termination benefit, other than statutory entitlements. Directors will not participate in share or option plans, except with approval of the shareholders.

The fee pool available to the board is \$300,000. From this pool, the Chairman receives an annual fee of \$90,000 and non-executive directors \$65,000. Fees were paid at these rates up until March 2011 when all non-executive directors became executives.

Senior Executive

Remuneration packages will generally be set to be competitive to both retain executives and attract executives to the company. Packages will comprise a fixed element and variable incentive components.

Short-term incentives will be in the form of cash and be subject to various performance measures linked to the short-term objectives of the company.

Long-term incentives will be through participation in option plans or an issue of options, the exercise of which will be subject to achievement of major performance milestones.

Termination benefits, other than statutory entitlements, will not exceed 6 months.

Remuneration and Nomination Committee

A Remuneration and Nomination Committee has been established. The charter of the committee is available on the company's website.

It is Company policy for the committee chairman to be an independent non-executive director and is not the chairman of the board and for all members of the committee to be non-executive directors and the majority being independent.

The above requirements have not been met during the current period of transition of the company.

The role of the committee includes:

- Providing advice in relation to remuneration packages of senior executives, non-executive directors and executive directors, equity-based incentive plans and other employee benefit programs.
- Reviewing the company's recruitment, retention and termination policies.
- Reviewing the company's superannuation arrangements.
- Reviewing succession plans of senior executives and executive directors.
- Recommending individuals for nomination as members of the board and its committees.
- Ensuring the performance of senior executives and members of the board are reviewed at least annually.
- Considering those aspects of the company's remuneration policies and packages, including equity-based incentives which should be subject to shareholder approval.
- Monitoring the size and composition of the board.

1.10 Deeds of access and indemnity

Each of the current Directors has entered into a deed of access and indemnity with the Company. Each of the proposed Directors will also enter into a deed of access and indemnity with the Company on substantially the same terms. Refer to section 10.12 for details.

