

## Austindo Resources Corporation N.L.

### **CORPORATE GOVERNANCE**

As a listed company with Australian Stock Exchange Limited (ASX), the Company must report on their main corporate governance practices by reference to the Best Practice Recommendations of the ASX Corporate Governance Council.

#### **Recommendation 1.1 – Formalise and disclose the functions reserved to the Board and those delegated to management**

The Board of Directors has been charged by shareholders with overseeing the affairs of the Company to ensure that they are conducted appropriately and in the interests of all shareholders. The Board defines the strategic goals and objectives of the Company, as well as broad issues of policy and establishes an appropriate framework of corporate governance within which Board members and management must operate. The Board reviews and monitors management and the Company's performance. The Board is responsible for ensuring the maintenance of corporate governance policies and procedures in accordance with prevailing best practices and within legal and social requirements. The Board has also taken responsibility for establishing control and accountability systems/processes.

Management is charged with the day to day running and administration of the Company consistent with the objectives and policies set down by the Board. The Managing Director is directly accountable to the Board for the performance of the management team.

#### **Recommendation 2.1 – A majority of the Board should be independent Directors**

The Company's Board is not comprised with a majority of independent Directors however the Board believes that this is appropriate at the current stage of the Company's development. The Board is currently comprised of an independent Non-Executive Chairman, (Bruce Watson), the Managing Director (Ian Price) and three Non-Executive Directors who are associated with substantial shareholders (being George Tahija, John Carlile and Christopher Melloy).

John Carlile is a former Managing Director of the Company.

#### **Recommendation 2.2 – The Chairperson should be an independent Director**

The Chairman is an independent Non-Executive Director (Bruce Watson).

**Recommendation 2.3 – The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual**

The Chairman is an independent Non-Executive Director (Bruce Watson) and does not share or participate in the role of Chief Executive Officer (Managing Director – Ian Price).

**Recommendation 2.4 – The Board should establish a Nomination Committee**

The Board has established a Remuneration and Nomination Committee. Where a vacancy arises or it is considered appropriate to increase the size of the Board of Directors, the Committee reviews the Board's composition and the qualifications and experience of candidates. Directors are selected upon the basis of their specialist skills and business background so as to provide an appropriate mix of skills, perspective and business experience.

Directors are not appointed for a fixed term but are, excluding the Managing Director, subject to re-election by shareholders at least every three years in accordance with the Constitution of the Company.

The Directors' terms of appointment are governed by the Constitution of the Company. A Director appointed to fill a casual vacancy, or as an addition to the Board, only holds office until the next general meeting of members and must then retire.

After providing for the foregoing, one-third of the remaining Directors (excluding the Managing Director) must retire at each Annual General Meeting of members. The term of office held by each Director in office at the date of this Annual Report is set out in the Directors' Report. All Directors of the Company have direct access to the management of the Company and, where necessary, to external advisers. Each Director has the right to seek independent, professional advice at the expense of the Company. Whilst prior approval of the Chairman is required, this approval should not be unreasonably withheld.

**Recommendation 3.1 – Establish a code of conduct to guide the Directors, the Managing Director, the Chief Executive Officer and any other key executives as to:**

**3.1.1 the practices necessary to maintain confidence in the Company's integrity; and**

**3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has previously established a Code of Ethics which extends to govern the conduct of Directors and the Executive of the Company in both Australia and Indonesia. The Company's Code of Ethics has been posted to the Company's website in the Corporate Governance section.

With the Company's operations now expanding into the development of the Cibaliung Gold Project and potentially securing new projects in Indonesia, the Code of Ethics is to be reviewed to ensure its continuing suitability.

**Recommendation 3.2 – Disclose the policy concerning trading in Company securities by Directors, officers and employees.**

The Company maintains a policy which requires that Directors, officers and employees of the Company not engage in any dealings in the shares of the Company without giving prior notice to Company including details of the type and date of dealing, number of securities, parties and price.

In addition Directors, officers and employees shall not engage in any dealings in shares of the Company during the period two weeks prior to and within 24 hours after the date of the announcement of the Company's annual or half year results or any quarterly activities report, or at any time while in the possession of inside information.

**Recommendation 4.1 – Require the Managing Director and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.**

The Managing Director does state in writing to the Board that the Company's year-end and half-yearly financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The Company does not, at this point in time, employ a Chief Financial Officer or anyone that carries out this function. The Company's financial statements are prepared by an external accountant who confirms in writing to the Managing Director and the Audit Committee that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

**Recommendation 4.2 – The Board should establish an Audit Committee**

The Board has established an Audit Committee which is responsible for ensuring compliance with all appropriate accounting standards and the integrity of related reporting obligations.

The Committee is also responsible for reviewing the Company's internal financial controls, and for maintaining open lines for communication between the Board and the external auditors, independently of management.

All Audit Committee deliberations are routinely reported to the full Board at the earliest opportunity and any action taken, or proposal made, is submitted to the full Board for ratification or approval and implementation.

**Recommendation 4.3 – Structure the Audit Committee so that it consists of:**

- only non-executive directors;
- a majority of independent directors;
- an independent chairperson, who is not chairperson of the Board; and
- at least three members

The Company has established an Audit Committee which is comprised of two members, one being an independent Non-Executive Director (Bruce Watson) and one a Non-Executive Director (John Carlile). Given the size of the Company and the Board, the Audit Committee is made up of only two members, while other Directors and the Company's external auditors may be invited to attend Audit Committee meetings at the discretion of the Audit Committee.

**Recommendation 4.4 – The Audit Committee should have a formal charter.**

The Company has a formal Audit Committee Charter which has been as approved by the Board of Directors.

**Recommendation 5.1 – Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.**

The Managing Director and the Company Secretary are charged with responsibility to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

**Recommendation 6.1 – Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.**

Information is communicated to the members through compliance with ASX Listing Rules and the Corporations Act 2001, by way of announcements to the ASX, media releases, the Annual Report, Half-Yearly Report, the Annual General Meeting and other meetings that may be called to obtain approval for Board recommendations. The Company maintains a website which provides a description of the Company's projects and all material announcements released to the ASX.

**Recommendation 6.2 – Request the external 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.**

The external accountant and the external auditor are invited to attend all Annual General Meetings.

**Recommendation 7.1 – The Board or relevant Board Committee should establish policies on risk oversight and management.**

There are inherent risks associated with exploration and the development of resource projects and in particular in operating in overseas countries. The Board continuously reviews the activities of the Company to identify key business and operational risks and, where possible, will implement policies and procedure to address such risks.

Specifically the Board is conscience of mitigating sovereign, commodity and foreign exchange risks which arise through the activities of the Company.

The Board is provided with regular reporting on the management of operations and the financial condition of the Company aimed at ensuring that risks are identified, assessed and appropriately managed as and when they arise.

**Recommendation 7.2 – The Managing Director and the Chief Financial Officer should state to the Board in writing that:**

**7.2.1 the statement given in accordance with best practice Recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies of the Board; and**

**7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.**

The Managing Director does provide statements to this effect to the Board. The Company does not presently employ a Chief Financial Officer or anyone that carries out this function.

**Recommendation 8.1 – Disclose the process for performance evaluation of the Board, its Committees and individual Directors, and key executives.**

Such a performance evaluation for the Board and its members has not taken place in the reporting period. The Board evaluates the performance of key executives on a regular basis.

**Recommendation 9.1 – Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.**

The Board has determined the level of remuneration for the Managing Director taking into account his experience, the nature of his responsibilities, the Company's objectives and market conditions. During the course of 2004, the Managing Director was charged with the responsibility of finalising a Bankable Feasibility Study in respect of the Cibaliung Gold Project, advancing the Company's objective of achieving gold producer status in Indonesia and implementation of an IPO in respect of the Company's interests in central Victoria. The Managing Director's remuneration was established with these objectives in mind.

The Company is now proceeding with the development of the Cibaliung Gold Project and the search for new projects in Indonesia and the Managing Director has responsibility for ensuring that these objectives are undertaken in a timely and professional manner. The Board reviews the Managing Director's remuneration from time to time to ensure that the best interests of the Company are served and that the level of remuneration is commensurate with both objectives successfully completed and responsibilities undertaken.

The Company does not employ other executives within Australia but does retain consultants as required. Consultants are engaged on an arms length commercial basis according to terms agreed with the Managing Director.

The Managing Director also determines remuneration policies applicable to the Company's employees in Indonesia. The remuneration of employees in Indonesia is determined taking into account employees experience, the nature of responsibilities, and both market and country conditions.

**Recommendation 9.2 – The Board should establish a Remuneration Committee**

The Board has established a Remuneration and Nomination Committee comprised of two non-executive Directors. The Remuneration and Nomination Committee does not have a formal charter but operates on an as needs basis at the direction of the Board. To date the full Board of Directors has established and reviewed the remuneration for the Managing Director. The Managing Director establishes and reviews the remuneration of employees.

**Recommendation 9.3 – Clearly distinguish the structure of Non-Executive Director’s remuneration from that of executives.**

The Remuneration Committee reviews the remuneration of Non-Executive Directors which in turn must be within the aggregate amount approved for such remuneration by shareholders. With effect from 1 April 2005 all Non-Executive Directors receive remuneration of \$30,000 each per annum (plus statutory superannuation where applicable) inclusive of Committee responsibilities. In addition, from 1 April 2005 the Chairman receives remuneration of \$45,000 per annum (plus statutory superannuation where applicable).

There are no arrangements for payment of retirement benefits to Non-Executive Directors.

**Recommendation 10.1 – Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.**

The Company requires its Directors and employees to observe the highest standards of behaviour and business ethics in respect of its operations in both Australia and Indonesia.

The Company has a Code of Ethics which applies to all Directors, officers and employees in the conduct of their duties on behalf of the Company. Integrity, respect for people and places and a constant drive to improve are core values expected under the Code. The Code deals with responsibilities to shareholders and the marketplace, suppliers of goods and services, employment practices, the community and the conduct of personnel.

All Directors and employees are expected to act in accordance with the law and with the highest standards of propriety. A Director must declare any conflict of interest when it arises, and that Director does not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.