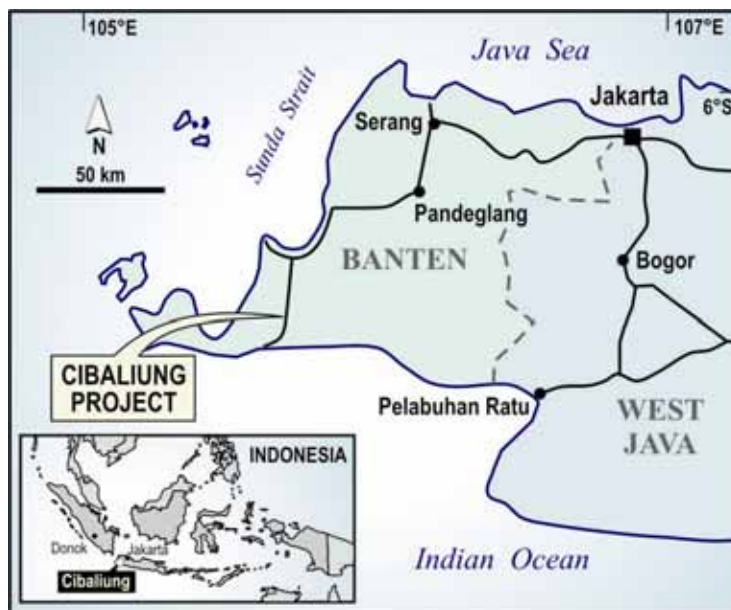


## CIBALIUNG GOLD PROJECT UPDATE – 9 FEBRUARY 2007

The Cibaliung Gold Project is operated by PT. Cibaliung Sumberdaya, a joint venture company established between the Company and PT. Antam Tbk (“Antam”).

Cibaliung is located in Banten Province near the western tip of the island of Java, 150km south west of Jakarta. The Company’s interest in the Cibaliung Project as at 31 December 2005 stood at 89.75%.



### Site Development and Erection of Gold Processing Plant

Site development and construction at the date of this report is summarised as follows:

- Erection of the gold processing plant on site is approximately 75% complete.
- SAG Mill installation is in progress with bearing plates installed. Bearing alignment and plant connection has commenced.
- Foundations for crusher are approximately 70% complete.
- All Generating Sets for the Power Plant have been installed in preparation for commissioning and connection.
- Elution Circuit and Gold Room Plant are currently all on site ready for installation.
- Tailings Dam construction has commenced.

The Board has resolved to put further construction work in respect of the plant on hold for the time being, and is also investigating the deferral of non essential or discretionary expenditure in order to conserve cash while both funding arrangements and the approach to the development of the decline are finalised.

## **Decline Development**

The Decline Development Contract has been terminated. The decline contractor will extract the roadheader and demobilise at its own cost.

The delay in the development of the decline has already had a significant cost impact on the project and, as previously advised, the targeted first gold pour of May 2007 will not be achieved.

Discussions are taking place with an alternate contractor who has been on site and completed drill and blast testing to ascertain if this is appropriate for the development of the decline. The Company has now received a proposal from this alternate contractor to takeover the development of the decline. The Company is presently reviewing this proposal and its cost and schedule implications on the project.

## **Alternate Mining Plan to Achieve Earlier Gold Production**

The Company is also investigating an alternate mining plan which may enable earlier access to ore bodies so that first gold pour may be accelerated.

The plan is based on the development of an alternative decline to access ore which can then be mined by hand held methods. Under the plan, development would continue to the main ore body from where mechanised mining could commence. Pursuant to this plan ore would be stockpiled to permit gold production to commence at the earliest opportunity and to then continue at a limited rate until such time as the decline has been sufficiently developed to permit continuous mining at the originally anticipated rate of 220,000 tonnes per annum.

Subject to confirming the plan's technical merit, the Company anticipates that this plan will generate revenue for the Company from gold sales at an earlier date while the development of the decline continues. Implementation of the plan will require approval from ANZ as the project financier. While this plan, if adopted, may result in an earlier first gold pour date, the amount of ore to be processed will be limited and likely to be at a relatively low grade. At best, it is anticipated that this plan could see limited production achieved in the second half of 2007.

## **Funding**

The project has experienced significant cost pressure, primarily associated with the difficulties encountered in the development of the decline.

As previously advised, the Company has fully drawn the original ANZ primary debt facility of US\$26 million and ANZ has provided an offer for an additional debt facility in the amount of US\$5 million. There are a number of pre-conditions associated with this facility including a requirement to restructure the existing hedging arrangements with ANZ and a requirement that the Company raise sufficient equity funds to complete the project development before the additional debt funds will become available.

Taking into account cost increases identified to date and the continuing cost pressure associated with the development of the decline, it is envisaged that the Company, as previously advised, will need to raise additional equity potentially in excess of US\$20 million to complete the development of the Cibaliung Gold Project. In this regard, the Company has

appointed Austock Corporate Finance Limited to review the company's funding alternatives which may involve the introduction of a cornerstone investor.

Furthermore the Board believes that it is in the interests of the Company and its shareholders to also explore a range of corporate alternatives in order to ensure the timely completion of the Cibaliung project. These alternatives include discussions with other parties at a corporate and project level. These discussions are ongoing. The Company has appointed Gryphon Partners to assist it in this respect.

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## **ABOUT AUSTINDO RESOURCES CORPORATION NL (ARX)**

*Formed in 1983, Austindo Resources Corporation NL is an Australian listed gold company focused on developing projects in Indonesia. The company's key project is Cibaliung, a high-grade epithermal gold/silver vein system located southwest of Jakarta in Banten Province, western Java. Cibaliung is expected to produce at an annual rate of 70,000 oz (gold equivalent) with an average life of mine cash operating costs of approximately US\$215 per ounce.*

*Two key strategic alliances in Indonesia are taking Austindo closer to achieving its growth objective. In association with Anglo American Group, the Company is exploring for large porphyry copper/gold deposits in Papua. In addition the Company has a 95% joint venture interest with PT Sumber Mineral Nusantara in the Pekalongan and Trenggalek tenements located in Central and East Java respectively, areas prospective for low sulphidation epithermal gold/silver deposits similar to the Cibaliung project.*

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## **BOARD OF DIRECTORS**

Bruce Watson – Chairman

George Tahija – Non-Executive Director

John Carlile – Non-Executive Director

Christopher Melloy – Non-Executive Director

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**[www.austindoresources.com.au](http://www.austindoresources.com.au)**