



## Chairman's Address

### Annual General Meeting – 23 May 2006

2005 was an important year for our company and one in which real progress was made.

In November, construction commenced at the Cibaliung Gold Project, which Austindo (89.75%) holds in joint venture with PT Antam Tbk (10.25%), building upon over 5 years of exploration and detailed feasibility studies. Your company is moving towards production at a time when gold and silver prices are at twenty year highs. Production is expected in the first quarter of 2007. I am pleased to report that the Company remains on track to meet this objective.

I might add, that the resources sector contains many companies the overwhelming majority of which never move beyond the exploration stage or make a profit. That is just a fact of life in the mining business. Our company, in moving to production, and consequently, profitability, is joining a relatively small percentage of listed resources companies, which is a source of great satisfaction for all concerned.

2005 saw Austindo establish two new relationships as part of our program to develop other projects in Indonesia looking beyond Cibaliung. In Papua, Austindo formed a strategic alliance with Anglo American plc to explore for porphyry copper gold targets. By year's end an exploration permit had been granted over 9,486 hectares. Exploration work commenced early this year and drilling is scheduled to commence next month.

A second initiative, with PT Sumber Mineral Nusantara, saw Austindo joint venture two exploration areas on Java, at Pekalongan and Trenggalek. We believe these areas to be prospective for epithermal gold and silver deposits similar to those found at Cibaliung. We will be drawing upon our experience gained at Cibaliung to take these prospects forward.

Both of these relationships are part of the company's strategy to become the partner of choice in Indonesia and in the medium term to broaden our operating base. In addition to Cibaliung, Austindo now has a further 3 exploration projects within Indonesia, covering some 32,690 hectares. We have recently appointed a new Exploration Manager and are preparing to carry out an aggressive exploration program for all three projects commencing in the second half of 2006.

A US\$26m financing facility for the development of the Cibaliung Project was entered into with the ANZ Banking Group in December 2005, with all conditions precedent subsequently satisfied and drawdown effected in April.

Three capital raisings have been undertaken since the last AGM.

Two of these were equity raisings by way of placement, predominantly to institutional investors. The first of these placements, in July 2005 raised \$16.8m. It was conducted in conjunction with a share purchase plan which raised a further \$1.9 million.

The second placement, for \$12m is subject to shareholder approval later at this meeting.

These raisings have provided funding for the development of Cibaliung, an expanded exploration program and for general working capital purposes.

The third capital raising was an issue of unlisted Convertible Notes to two institutions totalling \$4m in value. This was put in place in December of last year largely to meet an ANZ Bank requirement to maintain a higher level of contingency funds dedicated to the Cibaliung project.

These capital raisings were strongly supported and also introduced new institutions to our register. This support and show of confidence by our shareholders, old and new, is gratefully acknowledged.

The Board views Indonesia as a country with enormous mineral potential and believes that your company is well placed to take advantage of that potential. Indonesia offers increasing political stability; our highly skilled local workforce is an important advantage we have in successfully conducting operations there.

Throughout the year we have received strong support from our partners in the communities in which our projects are located and from all levels of government. This ongoing support is a key element in our success and is valued highly.

The directors also wish to acknowledge our staff who, at all levels of the organisation, continue to give their unstinting best.

Finally, Pieter Greeff and Bruce Paterson retired from the Board during the year. Theirs was an important contribution to Austindo, for which we thank them.

2006 is an important and exciting year for Austindo. A year of real progress. A year of outcomes.



**Bruce J. Watson**  
**Chairman**