

CIBALIUNG GOLD PROJECT UPDATE

As previously advised, a review of the Cibaliung Gold Project cost to completion incorporating several project scope changes has identified substantial cost increases.

Cost investigation

The ARX Board has caused further investigation into project costs to be undertaken and required Behre Dolbear Australia to undertake an independent verification of the total project cost. The investigation into project costs has now been completed and has identified that additional expenditure of approximately US\$15.2 million (inclusive of new contingency of US\$2.0 million) will be necessary to complete the project.

The Company will be seeking additional debt finance and equity funding to meet these increased costs.

The areas where costs overruns or scope changes have occurred, or are anticipated are:

	US\$m
• Infrastructure	1.0
• Mine Development (initial only)	0.6
• Process Plant Construction (including modifications)	9.1
• Tailings Storage Facility	0.1
• Project Delivery	2.4
• Financing, legal and holding costs	2.7
• Original Contingency Consumed	(3.1)
• New Additional Contingency	2.0
• Other items	<u>0.4</u>
Total	15.2

In addition to an initial underestimate in the process plant re-erection cost, some of the additional costs have arisen due to a re-rating of seismic factors throughout the region following the December 2004 tsunami and poorer than expected ground conditions in the process plant area. These factors have resulted in additional previously unbudgeted costs for engineering, earthworks, steelwork and process plant foundations.

Costs have been further impacted by higher engineering costs, manpower and consultant rates which have affected the industry worldwide. The higher cost of fuel together with higher projected levels of fuel consumption and increases in construction materials have also had a significant impact on the project overall, in the case of fuel, both as an operational expense following the project's completion and as an input to construction costs.

The Company's objective remains to achieve first gold pour within the 1st Quarter of 2007. This assumes that ground conditions encountered in the decline development are as expected and that delays are not incurred in the erection of the gold processing plant.

Decline development

The decline development has commenced. However the contractor was delayed in mobilising due to contractor manning and equipment issues and accordingly the decline development is behind schedule. To address this delay the Company is undertaking a review of the development and stoping of ore blocks and reviewing local grades so as to maximise revenues within the 1st Quarter and throughout 2007. Any changes to the mining or decline development will only be made if there is an overall net economic benefit to the Company having regard to the timing of receipt and amount, of revenue, arising out of any such change or decision.

Gold processing plant

Erection of the gold processing plant is also fundamental to achieving first gold pour within the 1st Quarter of 2007. The plant has arrived in Indonesia and cleared customs. Preliminary earthworks have been undertaken and the first truck loads of equipment have arrived on site. Negotiations are continuing with the contractor, PT Petrosea with the objective of achieving completion of the plant erection within the 1st Quarter of 2007. Detailed engineering and procurement being undertaken by PT Petrosea is well advanced and preliminary site establishment works have commenced. The Company believes that the purchase of the second hand gold processing plant will still result in comparative savings over the purchase of a new plant given the world wide escalation of equipment costs and delivery time pressures and uncertainties when ordering new plant in the current inflationary climate.

Cash operating costs

A revised Base Case Financial Model has now been finalised and is in the process of being resolved with the ANZ Bank. In addition to the increased capital costs associated with completing the project, the revised Based Case Financial Model has also been updated to reflect higher fuel and power prices. The impact of higher fuel prices has contributed to a significant increase in anticipated cash operating costs. The Board has engaged external consultants to verify these costs which will be calculated in accordance with The Gold Institute Production Cost Standard over the life of the mine. When this work has been completed, the results will be released to the market. In the meantime though, the Board considers it appropriate to alert the market to this issue. The revised Base Case Financial Model also reflects gold sales at US\$651 on 185,000 ounces of hedged production.

Chief Operating Officer

In order to address the Board's concerns relating to the development of the Cibaliung Gold Project Austindo recently announced that it had appointed Mr. Hermani Soeprapto as Chief Operating Officer, located in Indonesia. Mr. Soeprapto has assumed responsibility for all of the Company's Indonesian activities with particular emphasis upon delivery of the Cibaliung Gold Project. Mr. Soeprapto, 57, a mining engineer, has had a career spanning over 30 years with the Freeport-MacMoran group, mostly in Indonesia. During this period, Mr Soeprapto has gained extensive experience in developing and operating major open pit and underground mines. He served for 6 years as the site based Executive Vice President and General Manager for the operation of the Grasberg open pit and underground copper gold mine and mill in Papua.

Further details in relation to funding arrangements for the Cibaliung Gold Project will be provided as details are finalised.



Bruce J. Watson
Chairman
25 August 2006

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).

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.