**Austminex** LTD

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5 November 2004

Attention: Marcus Hodge
Australian Stock Exchange Ltd
By Fax: 9221 2020

Dear Marcus,

**ANNUAL REPORT – CORPORATE GOVERNANCE DISCLOSURE**

I refer to your letter dated 3 November 2004 requesting a more fulsome disclosure on the extent to which Austminex Ltd has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period.

Accordingly, I provide the attached information.

Regards,

Donald Taig
Chairman.

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

### *Introduction*

The directors are focussed on fulfilling their responsibilities individually, and as a board, for the benefit of all the company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the company does not strictly comply.

The following section addresses the company's practices in complying with the principles.

### *Principle 1: Laying Solid Foundations for Management and Oversight*

#### *Role and Responsibilities of the Board*

The board exists to lead and oversee the management and direction of the company.

After appropriate consultation with executive management the board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;
- it oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management of the company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

### *Principle 2: Structuring the Board to Add Value*

#### *Composition of the Board*

The names of the directors of the company and their qualifications are: set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2004.

The composition of the board is determined so as to provide the company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the company.

The recommendations of best practice are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the company;
- has not within the last 3 years been employed in an executive capacity by the company or another group member or been a director after ceasing to hold such employment;
- is not a principal of a professional adviser to the company or another group member;
- is not a significant supplier or customer of the company or another group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the company or any other group member other than as a director of the company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company.

Two of the four current board members, Mr Donald Taig and Mr Ian Burston (appointed 13 Feb 2004) do meet these criteria. Mr Alan Martin ceased to be associated with a substantial shareholder on 22 September 2003 and thereafter met the criteria. Mr Donald Taig is the chairman of the board.

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*Nomination of Other Board Members*

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the board in light of the nature of the company's businesses and its objectives. The board does not believe that at this point in the company's development it is necessary to appoint additional directors.

*Independent Advice*

Each of the directors is entitled to seek independent advice at the company's expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.

### *Principle 3: Promotion of Ethical and Responsible Decision-Making*

Directors, officers, employees and consultants to the company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the company and they are required to maintain a reputation of integrity on the part of both the company and themselves. The company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the company. That is information which a reasonable person would expect to have a material affect on the price or value of the company's shares. It is recommended that an officer discuss the proposal to acquire or sell shares with the directors or the company secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

*The policy concerning trading in securities of the Company is as follows:*

This policy is binding upon directors and senior management of Austminex, and intended to govern the sale or transfer of shares by directors and senior management of Austminex, and by companies owned or controlled by them. The overarching principle guiding the sale of shares is that directors and senior management should be entitled to

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

manage and realise their assets, whilst complying with statutory requirements and acting in a manner which is not contrary to the best interests of Austminex.

1. In addition to complying with any relevant requirements of the Corporations Law and the ASX Listing Rules, directors and senior management of Austminex will only be entitled to sell, buy or transfer their shares:

    a) Within 14 days after the lodgment of any announcement to the ASX; or

    b) Within 4 weeks after the lodgment of an Annual or Half-Yearly Report to the ASX and (in the case of amounts in excess of $20,000) after advising the Chairman of the intended sale.

2. Prior to any sale or purchase, the proposed seller or buyer will make due and proper enquiry of the Company as to:

    a) any matters which would render a sale in breach of the Corporations Law or the ASX Listing Regulations; and

    b) any specific circumstances or activities pending or current within Austminex which are likely to be materially affected by the proposed sale or purchase of shares.

The obligations of a director or senior manager under this policy are terminated upon their ceasing to hold the office of director or senior manager.

### *Principle 4: Safeguarding Integrity in Financial Reporting*

An audit committee has been established comprising two directors. The Chairman of the audit committee was Mr Peter Vanderspuy until 10 February 2004 and then Mr Ian Burston from 5 March 2004. The other member of the audit Committee is Mr Donald Taig.

Each board member has access to the external auditors and the auditor has access to each board member.

A director does make a statement to the shareholders 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.

### *Principle 5: Making Timely and Balanced Disclosure*

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The company secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

### *Principle 6: Respecting the Rights of Shareholders*

The board's fundamental responsibility to shareholders is to work towards meeting the company's objectives so as to add value for them.

The board seeks to inform shareholders of all major developments affecting the company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- hosting all of the above on the company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the company who is invited to the Annual General Meeting.

### *Principle 7: Recognising and Managing Risk*

The board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the company.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. Procedures by which the Board identifies

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## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

and manages those risks on a case by case and overall corporate basis were formalised subsequent to 30 June 2004.

### *Principle 8: Encouraging Enhanced Performance*

The board regularly discusses and reviews its performance. The board also discusses with each director their requirements, performances and aspects of involvement in the company.

### *Principle 9: Remunerate Fairly and Responsibly*

A remuneration committee has been established comprising two directors. The Chairman of the audit committee is Mr Don Taig and the other member of the committee is Mr Alan Martin. There is commentary on directors remuneration in the section headed Directors' Report in the Annual Report for the year ended 30 June 2004.

One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

Each member of the board has committed to spending sufficient time to enable them to carry out their duties as a director of the company.

A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

### *Principle 10: Recognising the Legitimate Interests of Stakeholders*

The company recognises its responsibilities extend beyond its shareholders to clients, customers, consumers and regulators. The company is committed to providing an adequate level of detail for the benefit of all stakeholders, the accuracy in that detail, and to meeting principles of equity and fairness in all of its dealings.

**Austminex Ltd**

**Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004**

## Table of Departures and Explanations (from the Recommendations of the ASX Corporate Governance Council)

| *"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)* | *Departure* | *Explanation* |
|---|---|---|
| 1.1 | There was no formalisation and disclosure of separate functions between the board and management during the reporting period. | Throughout most of the reporting period the board consisted of one executive and three non-executive directors. The executive director was involved in the overall management of the company. The practices followed were compatible with the Principle. |
| 2.4 | A separate Nomination Committee has not been formed. | The board comprises four members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict. |
| 3.1 | No formal code of conduct has been established as to practices necessary to maintain confidence in the company's integrity or as to reporting and investigating unethical practices. | The board and management consists of appropriately qualified and experienced members. It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed. |

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

| *"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)* | *Departure* | *Explanation* |
|---|---|---|
| 3.2 | The formal policy concerning trading in the company securities by directors, officers or employees has been disclosed above. The policy does not refer to the procurement of others to trade, require prior or subsequent notification of a trade, identify trading windows or black-outs, refer to discretion in specific circumstances, refer to financial products issued or created by third parties over the company's securities or refer to associated products which operate to limit economic risk of their security holdings. | There is a clear understanding of when trading is appropriate. |
| 4.1 | The chief executive officer and the chief financial officer did not make any written representations to the Board on the company's financial reports. | Given the size and nature of the company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that such procedures be formalised. |

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

| *"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)* | *Departure* | *Explanation* |
|---|---|---|
| 4.3 and 4.4 | The audit committee consists of only two members and does not have a formal charter. | Given the size and nature of the company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that additional members of the audit committee be appointed or a charter be formalised. |
| 5.1 | No written policy and procedure exists to ensure compliance with ASX Listing Rules disclosure requirements are met at senior management level. | The board and management consists of appropriately qualified and experienced members and the board does not consider that a written policy is at this time required. However, The Board's practice is to comply strictly with ASX Listing Rules and disclosure requirements and whenever in doubt, contact has been made promptly with the ASX seeking advice. |
| 6.1 | The company has no formal communication strategy in place for the benefit of its shareholders. | The board is very conscious of the need to continually keep shareholders and markets advised. The development and regular update of the company's web-page provides a continuous communication channel which ensures shareholders and the markets are adequately informed about its activities results. |

# Austminex Ltd

## Supplementary Corporate Governance Statement with respect to the Year ended 30 June 2004

| *"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)* | *Departure* | *Explanation* |
|---|---|---|
| 6.2 | The external auditor is invited to attend the annual general meeting of the Company and to be available to answer shareholder questions. | |
| 7.1 and 7.2 | There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the board concerning those matters. | Given the nature and size of the company, its business interests and the involvement of all directors it is not considered necessary to establish this practice at this time, however the principles are adopted in circumstances where an event or issue is deemed to require it. |
| 8.1 | There has been no formal disclosure of the process for performance evaluation of the board, committees, individual directors and key executives. No formal review has been undertaken. | Given the size of the company and the involvement of all directors a policy has not been required to date. The directors continually monitor, review and discuss performance and implement changes as necessary. |

# Austminex Ltd

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| *"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)* | *Departure* | *Explanation* |
|---|---|---|
| 9.1 | The company has not disclosed remuneration policies. | Given the size and nature of the company, its business interests, remuneration and other benefits paid to its directors, the board does not consider it yet to be necessary to formulate the policies. At the appropriate time the board will take independent advice. |
| 10.1 | There has been no disclosure of a code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders. | The business practices adopted by the board recognise this principle but no formal code has been drawn-up or approved. |

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FAXED

3 November 2004

Mr Donald Taig
Chairman
Austminex Limited
45 Ventnor Avenue
WEST PERTH WA 6005

By facsimile: (08) 9321 0361

Dear Sir

**Austminex Limited (the "Company")**

**Annual Report – Corporate Governance disclosure**

ASX has demonstrated its commitment to corporate governance through its role in the formation of the ASX Corporate Governance Council (the "Council") in August of 2002, and through rule changes under which listed companies are required to make disclosure in their annual reports of the extent to which they do not follow The Council's *Principles of Good Corporate Governance Practice and Best Practice Recommendations* ("Recommendations") released on 31 March 2003.

You will be aware of the requirements of listing rule 4.10 which sets out information that must be included in an entity's annual report, and which includes the following.

4.10.3 *A statement disclosing the extent to which the entity has followed the best practice recommendations set by the +ASX Corporate Governance Council during the reporting period. If the entity has not followed all of the recommendations the entity must identify those recommendations that have not been followed and give reasons for not following them. If a recommendation had been followed for only part of the period, the entity must state the period during which it had been followed.*

Introduced 1/7/96. Origin: Listing Rule 3C(3)(j). Amended 1/1/2003.

Note: The corporate governance statement may be given to ASX as a separate report but must be given to ASX at the same time as the annual report and be clearly identified as the corporate governance report.

We refer to page 43 of the Company's annual report, released to the market on 30 September 2004 (the "Report"), and note the following statement by the Company.

- *"The Company has not implemented any of these Recommendations as the Company is not of sufficient size to justify the additional costs of implementation".*

Australian Stock Exchange Limited ("ASX") is concerned that the disclosure on page 43 of the Report is not within the spirit and intent of the listing rules and the Recommendations. ASX requests more fullsome disclosure on why none of the 27 Recommendations formulated by the Council have been implemented. ASX notes that a large percentage of listed mining explorers of similar size to the Company have made efforts to take on the spirit and intent of the Council's Recommendations.

ASX expresses surprise that not one of the 27 Recommendations have been implemented fully or in part. Please provide either your confirmation that the Company has followed each of the 27 Recommendations and accordingly is in compliance with listing rule 4.10.3, or alternatively, a full explanation as to why it has not followed each of the 27 Recommendations.

Please note that it is ASX's present intention to release this letter and your response to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **fax number (08) 9221 2020.** It should not be sent to the Company Announcements Office.

Your response is requested as soon as possible and, in any event, not later than close of business (ie **before 5.00 pm. W.S.T.) on Friday, 5 November 2004.** We refer you to listing rule 18.7.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours faithfully

Marcus Hodge
Senior Companies Adviser

Direct Line: (08) 9224 0023