

AuDAX Resources Limited

ABN 50 009 058 646

ASX Principles of Good Corporate Governance and Best Practice Recommendations

Principle #2: Structure the Board to add Value

Recommendation 2.1: A majority of the Board should be independent directors

Recommendation 2.2: The Chairperson should be an independent director

Recommendation 2.3: The roles of Chairperson and chief executive officer should not be exercised by the same individual

Recommendation 2.4: The Board should establish a nomination committee

Recommendation 2.5: Provide the information indicated in ASX Guide to Reporting on Principle 2 in the annual report.

Composition of the Board

The Company recognises the importance of having a Board comprising of Directors with an appropriate range of backgrounds, skills and experience to suit the Company's current and future strategies and requirements.

The Company considers that the Board should have at least three Directors (minimum required under the Company's Constitution) and strives to have at least one Independent Director but acknowledges that this may not be possible at all times due to the size of the Company. The number of Directors will be maintained at a level which will enable effective spreading of workload and efficient decision making.

The Board determines each Director's independence using the guiding principle that an Independent Director is independent of management and free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. In applying the guiding principle, the Board will take into consideration the definition in the ASX Principles of Good Corporate Governance and Best Practice Recommendations and appropriate materiality thresholds.

The composition of the Board is determined by the application of the following:

- Persons nominated as Non-Executive Directors shall be expected to have skills, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as executive directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairperson should ideally be non-executive and independent and be elected by the Board based on his/her suitability for the position. Currently however, due to the limited size of the company and of its operations and financial affairs, the Chairperson is the Managing Director, and not an independent Director. The Board believes that

this Chairperson is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairperson.

- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the company.
- Executive Directors shall be expected to retire from the Board on the relinquishment of their executive position with the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Independence of Directors

The independence of individual Directors is assessed by Directors providing up to date information regarding their personal circumstances related to the company, external relationships and potential conflicts of interest. Assessment is made having regard to relevant laws, regulations and listing rules as well as the *Australian Stock Exchange Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations*. The Board's assessment of the independence of individual Directors will be published in the Directors report of annual reports.

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the Board meeting whilst the item is considered.

Nomination Committee / Appointment of New Directors

Because the size of the Company and the size of the Board, the Directors do not believe it is appropriate to establish a separate Nomination Committee. Such tasks are undertaken by the full Board in special meetings or sessions as required.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.